THE MAGAZINE FOR INDIAN BUSINESS

APRIL 12-25, 1989 AN ANANDA BAZAR PUBLICATION RS 5.

BusinessWorld

- **THE MAN WHO RATTLED COLGATE**

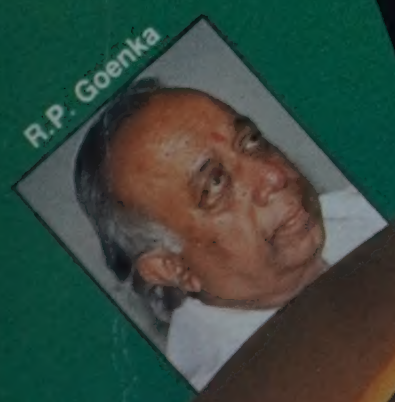


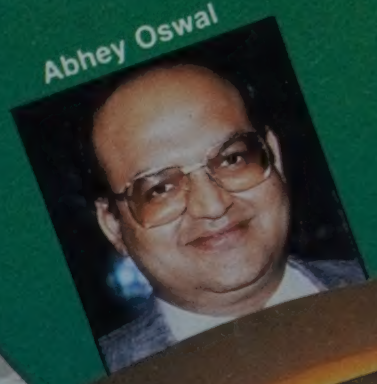
Aspi Balsara of
Balsara Hygiene Products

- **INDIA CEMENTS' NEW CHALLENGE**
- **IDM PROMOTERS CALL IT QUITS**

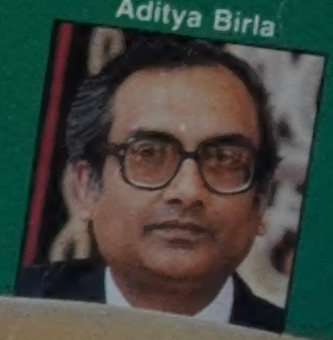
THE GREAT PETROCHEM GAMBLE

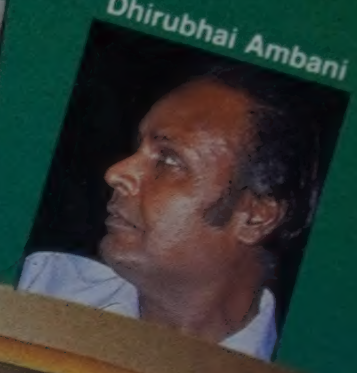
Can even an Ambani hope
to make pots of money
in the mad petrochem gold rush?











Lufthansa lands in more lands than any other.



From A for Argentina to Z for Zaire and in 82 countries in between.

Lufthansa

VOLUME 9 ■ ISSUE 1
APRIL 12-25, 1989 RS 5

BusinessWorld

the magazine for Indian business

Editor
R. Jagannathan
Assistant Editor
Parthasarathi Swami
Delhi
Alam Srinivas
George Skaria
Bombay
Maya Rai Choudhuri
Debashis Basu
Calcutta
Sujoy Gupta
Bangalore
N. Raghavan
Hyderabad
P.L. Diwakar Rao
Chief Sub-editor
Mukul Pandya
Sub-editors
K. Madhavadas
Anil Wanvari
Roy Pinto
Niranjan Rajadhyaksha
Art Director
Amiya Bhattacharya
Layout
Hajoo Aslam E
Kiran Parker
Marshall Mascarenhas

■ **Editorial Office**
145 Atlanta, 209 Ceremonial Boulevard
Nariman Point, Bombay 400021
Phone: 221178, 233193
Circulation/Subscription enquiries
Bombay: Ph. 260268
■ **Head Office & Regd. Office**
Ananda Bazar Patrika Limited
6, Prafulla Sarkar Street, Calcutta 700001
Phone: 278000, 274880
Regional Offices
Bombay
145 Atlanta
209 Ceremonial Boulevard
Nariman Point, Bombay 400021
Phone: 240581, 240426
Delhi
1/7 IENS Bldg.
Rafi Marg
New Delhi 110001
Phone: 385401 Ext.37 (Editorial)
383058 (Editorial)
389078 (Advtg.)
Madras
Dents Garden, 18 Pattulos Road
Madras 600002
Phone: 869379, 868227
Bangalore
14, Madras Bank Road
4th Floor
Bangalore 560001
Phone: 568227, 568228
London
Wheatsheaf House, Carmelite Street
Fleet Street, London EC4
Phone: 01-353-1821
Inland Subscription Rates
One Year: Rs. 110
Two years: Rs. 210
Three Years: Rs. 310

BusinessWorld does not accept responsibility for returning unsolicited manuscripts and photographs. All unsolicited material should be accompanied by self-addressed envelopes and sufficient postage.

Published from 145 Atlanta, 209 Ceremonial Boulevard, Nariman Point, Bombay—400021 and printed at 6 & 9, Prafulla Sarkar Street, Calcutta—700001 for Ananda Bazar Patrika Limited by Ranen Chakrabarty

BUSINESS QUOTES



■ **We, like everyone, will have to go in for smaller cigarettes as it is here that the duties are lower.**

ITC executive chairman J.N. Sapru, quoted in *India Today*.

■ **This is not liquor or chocolates, we are engineering scientists in a highly skilled business.**

Gammon India managing director T.N. Subba Rao on why Chhabria's takeover attempts should be discouraged, quoted in *The Telegraph*.

■ **The policy of the financial institutions is to support existing managements that do well.**

Industrial Development Bank of India chairman S.S. Nadkarni, quoted in *The Economic Times*.

■ **I am not satisfied with efforts to curb non-essential expenditure in government.**

Finance minister S.B. Chavan, quoted in *Business Standard*.

■ **We are confident that our new policy, based on liberalisation, will continue.**

Union commerce minister Dinesh Singh, quoted in *Financial Express*.

■ **Private sector management has flexibility, and Russi Mody (Tisco chairman) has been there for 40 years. He knows every employee by name. This is not the case in Sail (Steel Authority of India Ltd.) where the chairman, minister and secretary change all the time.**

Sail chairman V. Krishnamurthy, on why there cannot be a comparison between Tisco and Sail, quoted in *The Economic Times*.

■ **The Indian garment exporters face difficulties in the world market only when they use for packaging and packing, paper made by Thapar's mill or thread made by the Modis.**

Apparel Export Promotion Council chairman N.K. Goyal, quoted in *The Indian Post*.

■ **The next recession is going to say on its bottom: 'Made in Washington.'**

Nobel prize winner and economist Paul Samuelson, quoted in *The Asian Wall Street Journal*.

■ **If they chased every man or woman out of this town who has shacked up with somebody else, or got drunk, there'd be no government.**

Retired US Senator Barry Goldwater, quoted in *Time International*.

BusinessWorld

IN THIS ISSUE

BUSINESS FEATURE

THE GREAT PETROCHEM GAMBLE

Petrochemicals is the new gold rush. But in the mad scramble to latch on to multi-crore projects, few industrialists are bothering to look before they leap. Even an Ambani cannot expect to make pots of money if care is not taken to avoid a bunching of projects.
■ PAGE 50

THE PLAYERS & THEIR GAMEPLANS

Almost everybody who's anybody in Indian industry is vying for a share of the petrochem action. In a no-holds-barred match, winning is more important than playing the game by the rules. *BusinessWorld* takes a look at the key players and their strategies in the unfolding drama, in which centre-state politics and business rivalry play a major part.
■ PAGE 60

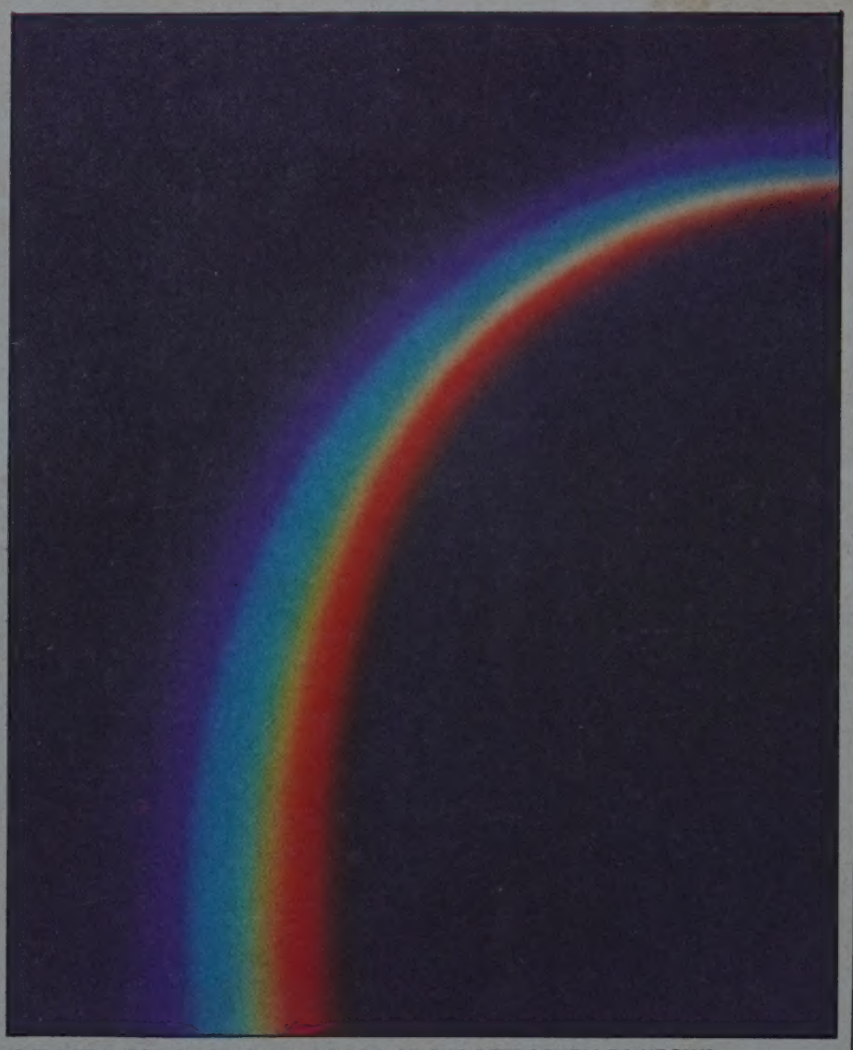
SPECIAL REPORTS

INDIA CEMENTS' NEW CHALLENGE



THE INDIA CEMENTS PLANT IN SALEM DISTRICT: UNDER OLD MANAGEMENT

With the original promoters of India Cements coming back into the driving seat after 10 years in the wilderness, the Madras-based company should see some action soon. But new managing director N. Srinivasan will have an uphill task to revive flagging fortunes.
■ PAGE 21



IS THERE A POT OF GOLD AT THE END OF THE PETROCHEM RAINBOW?

IDM PROMOTERS CALL IT QUITS

International Data Management (IDM) managing director O.P. Mehra and five other directors have decided to sell out to Shiv Nadar of HCL, formerly Hindustan Computers Ltd. The deal is evidently the result of various raids mounted on the ailing company.
■ PAGE 24

HCL'S NADAR HAS BAGGED IDM



COMPANY NEWS & EVENTS

SUPER SALES' SUPER SHOW

Coimbatore-based Super Sales has proved to be a true entrepreneur. From humble origins in erection and maintenance, the outfit has ventured into leasing and manufacture. It has now set its sights on exports.
■ PAGE 66

IN THE NEWS



POLLMEIER HAS GOT IT ALL TAPED UP

A TAPED FORAY

Another associate concern of Crompton Greaves has come into existence — CG-PPI Adhesive Products Ltd. Foreign collaborator Heinz Pollmeier is upbeat about the prospects of the project which will make adhesive tapes.
■ PAGE 31

BIG BLUE BECKONS

Having emerged as the largest vendor of computer hardware in India, US megacorp IBM is bidding to make a comeback. And Tata Consultancy Services (TCS) executives are confident that a tieup with good old faithful TCS is on the cards.
■ PAGE 31

LARCOM'S SEARCH FOR GROWTH

Bombay-based Larcom (Protectives) Ltd. has had few problems vending its condoms, thanks to captive government demand. But this TTK group company is now thinking more in terms of diversification than sticking to its traditional line.
■ PAGE 32

19 APR 1989

C.F.T.R.I. MY

IN THIS ISSUE

PERESTROIKA IN INDO-SOVIET TRADE

The inauguration of the Indo-Soviet Chamber of Commerce opens up new avenues for private sector trade with the USSR. Chamber president S.S. Kanoria views the future with optimism.
■ PAGE 32

JUST FOR PRACTICE

R.V. Kanoria, joint-MD of Kanoria Chemicals & Industries Ltd. (KCIL) wants to hit the big time.



KANORIA GETS SOME PRACTICE

Two new ventures making petroproducts are being set up. One of them, Kanoria Petroproducts Ltd., is slated to go public soon.
■ PAGE 33

STEELING INTO PETROCHEM

Bhansali Engineering Polymers Ltd. (BEPL) president Kishore Kamdar sees a rosy future for his company's foray into ABS resins which find applications in moulded luggage, etc.
■ PAGE 34

A PLEA FOR EQUALITY

American Express Bank chairman and CEO Robert Smith would like to expand activities in India besides tying up with the Tatas for a finance company.
■ PAGE 34

SUPER CHIP FOR COMPUTERS

US microprocessor giant Intel Corp. is back in the news. This time round it is with the i860 microprocessor — launched simultaneously in both the US and India — which gives supercomputing capability to desktop computers.
■ PAGE 35

BOOKS

MANAGEMENT STYLES AND VALUES

One hears a lot these days about management style. In this extract from S.K. Bhattacharyya's book *Achieving Managerial Excellence*, the author explains that style is more a function of what the top management does rather than what it says — with live Indian examples to prove his point.
■ PAGE 44

COMMENT

CUTTING WASTE IN ADS

The principal lesson that Indian advertisers need to learn from the West is that of avoiding wasteful expenditure. If greater care is taken while selecting target groups to aim messages at, the advertising rupee could be made to go much farther.
■ PAGE 15

TWO ROUTES TO TURNAROUND

Managements use two techniques to revive sick companies. The first is a ruthless, surgical one that involves amputating masses of employees. The second method involves employees and makes them participants in the process of change. Which is the better option for Indian companies?
■ PAGE 17

SPOTLIGHT

THE MAN WHO RATTLED COLGATE

The chairman and managing director of Balsara Hygiene Products Ltd., Aspi Balsara, sprung a surprise on multinational Colgate-Palmolive with the launch of Promise toothpaste. He has done it again with Babool. What makes the company (and the person) tick?
■ PAGE 90

BALSARA IS EYEING A NEW PROMISE



OTHER PAGES

BUSINESSPEOPLE ■ PAGE 4
EDITORIAL ■ PAGE 5
LETTERS TO THE EDITOR ■ PAGE 7
GOVERNMENT WATCH ■ PAGE 11
TAXATION ■ PAGE 12
AD & MARKETING WORLD ■ PAGE 13
MARKETING ■ PAGE 15
MANAGEMENT ■ PAGE 17
POLITICAL COMMENT ■ PAGE 20
BANKING & FINANCE ■ PAGE 27
ECONOMIC COMMENT ■ PAGE 37
ECONOMY & BUSINESS ■ PAGE 40
COMPANY NEWS & EVENTS ■ PAGE 66
INTERNATIONAL NEWS ■ PAGE 75
STOCKMARKETS ■ PAGE 82
MONEY & INVESTMENT ■ PAGE 84
NEW PROJECTS ■ PAGE 95
PEOPLE & PLACEMENTS ■ PAGE 96
ECONOMIC REVIEW ■ PAGE 117
OFFSTAGE ■ PAGE 120

Cover artwork by Marshall Mascarenhas

BUSINESS QUOTES



LIBBER SYAM NOTCHES UP A FIRST

The last all-male bastion of the Raj had to fall sooner or later. And fallen it has now, at last. The arch-conservative 155-year-old Bengal Club, Calcutta, has finally admitted its first lady member — ITC's persuasive and articulate PR manager Adity Syam, who is also the incumbent president of the Public Relations Society of India.

Not surprisingly, the news of this capitulation has been lapped up in Calcutta's active club and cocktail circuits. After all, till not so long ago, women were not even allowed to enter Bengal Club's dining room. (Incidentally, Calcutta Club — the city's other venerated social institution — maintains similar idiosyncracies to this day: no ladies are allowed on the first floor.)

On her part, Syam takes the role of libber and pathbreaker in her stride. "I really don't see why my joining the club should make news when those of 2,000-and-odd men joining didn't," she poses. And neither does she see why women professionals should be kept out of what is essentially a club for the business fraternity. "We're doing more than a man's job each, aren't we?" argues Syam.

She is, for sure. At least, Bengal Club committee members would vouch for it, wouldn't they?

It is one of those rare occasions when a man behind the scenes comes into the limelight. Subir Bhowmick, general manager of the Taj hotel in Bombay, has been selected one of the world's 50 best hoteliers by *Travel Digest*, a US travel industry monthly.

Bhowmick may not be the public face of the Taj service, but he is definitely the force that makes it work. And he expects this international accolade to have a beneficial spinoff for the Taj. "This is the first time an Indian hotelier has won the award," says he. "A lot of frequent travellers and tour operators will now opt for the Taj."

BHOWMICK SMILES HIS WAY TO FAME



That should help. As Bhowmick admits, room occupancy has slipped from 97%-98% to 82%-83% mainly because of the addition of the Centaur, the Leela Kempinski and the Oberoi to Bombay's skyline.

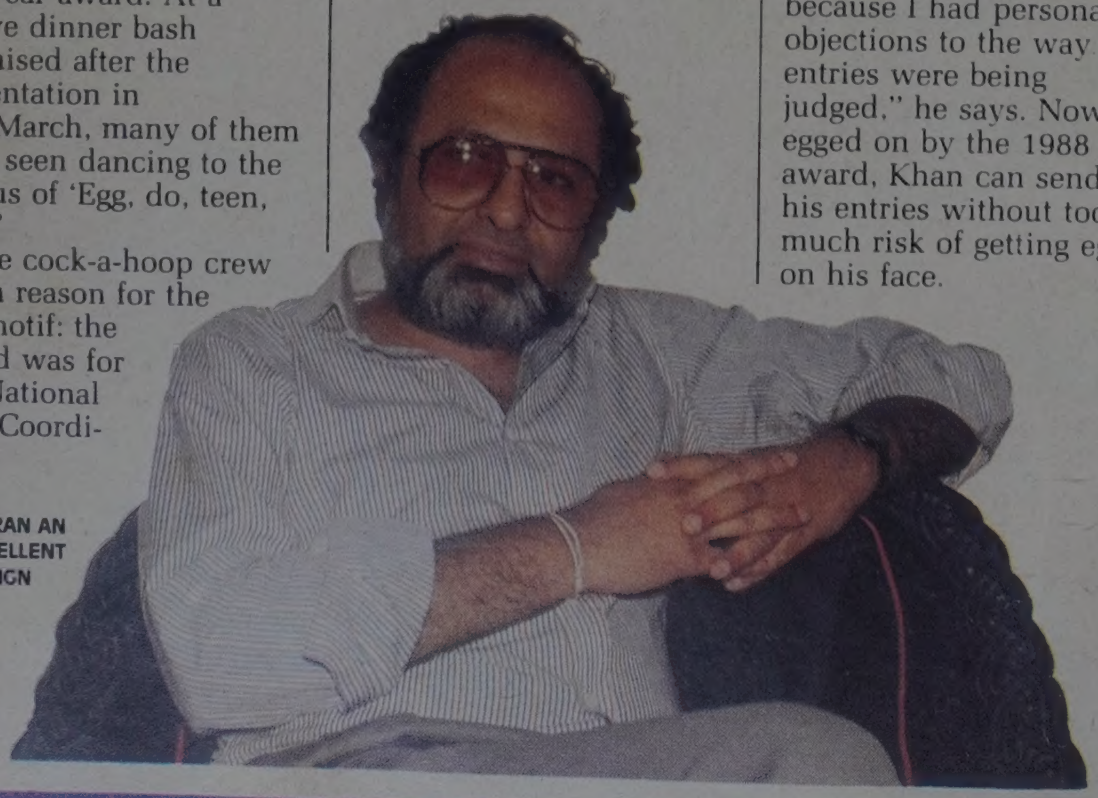
"What we urgently need are facilities to hold conventions and conferences," he says. "Today too much of the potential traffic is being diverted to other countries."

A smile alone obviously cannot compensate for missing services.

Enterprise executives were in an enterprising mood the day they won the 1988 Advertising Campaign of the Year award. At a festive dinner bash organised after the presentation in mid-March, many of them were seen dancing to the chorus of 'Egg, do, teen, char.'

The cock-a-hoop crew had a reason for the egg motif: the award was for the National Egg Coordination Committee campaign. Says chairman and creative director Mohammed Khan: "It's a good feeling."

Khan has additional reason to feel pleased: he has entered the lists after a long time. "I did not participate for some time because I had personal objections to the way entries were being judged," he says. Now, egged on by the 1988 award, Khan can send in his entries without too much risk of getting egg on his face.



KHAN RAN AN EGGS-CELLENT CAMPAIGN



BIG BROTHER, BIG HEART

It is a pity that India has failed to demonstrate towards Nepal the kind of largeheartedness and consideration that befits its status as the largest country in the South Asian region. By allowing the trade and transit treaties between the two countries to lapse, the government of India has unnecessarily precipitated matters.

Let us get the perspective right. Nepal is a landlocked country, one-fiftieth the size of India. It is also an independent, sovereign kingdom — and therefore wholly within its rights to determine the tariffs, imposts, taxes and laws applicable within its borders.

The Indian case is that it is not amused by certain 'discriminatory' Nepalese decisions. One is the insistence on work permits for the estimated 150,000 Indians employed in that country. (Up to 5 million Nepalese nationals working in India enjoy all the facilities available to Indian citizens.) Again, last year, Nepal's budget imposed an additional customs duty of 55% on Indian merchandise, while a 60% discount was offered — gallingly for India — to imports from other countries.

And India's growing dismay only deepened when, in July 1988, Nepal bought a quantity of AK-47 assault rifles, missiles and anti-aircraft guns from China. Analysts in South Block reason that since Chinese anti-aircraft guns can hardly be aimed at Chinese aircraft, the danger is to India.

One can well accept the fact that India has legitimate cause for worry on these scores, given that India's self-interest is involved. Yet, is punitive treatment involving the threat of economic attrition the right answer? Consider the consequences for the 18 million landlocked Nepalese: all round shortages, hoarding and blackmarketing, concomitant price rises and the inevitable rise of smuggling across the 1,000 km open border between the two countries. Worse still, the blame for having imposed these rigours will be brought squarely on India.

Clearly, Indo-Nepalese relations are on the brink of a dangerous drift. The onus of preventing an escalation is on India. Therefore, instead of displaying a somewhat ludicrous imperiousness, the need of the hour is to be generous but firm.

As things stand, the lapsed treaties will have to be renegotiated *de novo*, with technical committees of officials sitting together to thrash out the details. No time limit or dates have been fixed for the technical committees of the two sides to meet. Here, it behoves India to take the initiative rather than to sit back and derive vicarious pleasure from its neighbour's difficulties. After all, the big brother must also have a big heart.

To demonstrate the versatility of the Z-75 heavy-duty vacuum cleaner, we'll drop a few names...

GODREJ, HONGKONG BANK, MAFATLAL, OBEROIS, PFIZER.

Read on to see why they're so satisfied with the Z-75...

VERSATILE

The Z-75 comes with a wide range of accessories that enable it to totally clean everything, from floor to ceiling: all kinds of floors, carpets, computers & computer peripherals, sophisticated electrical and electronic equipment, etc.

POWERFUL AND HEAVY-DUTY

Two motors and high vacuum pressure, make the Z-75 powerful. Since it is heavy-duty it can be used where long periods of operation are required.

COMPACT

It's a compact, heavy-duty vacuum cleaner, with a unique, self-contained accessory pocket (for flex cord and accessories). And, it has a large volume dust bag – with a capacity of 10 litres. A strong handle, the low body weight and sturdy castors make it portable, and manoeuverable. So, it's ideal for cramped spaces.

UNIQUE

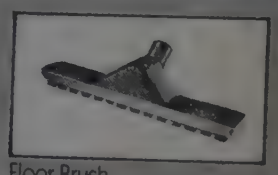
The unique feature of the Z-75 is the 'Blower End'. When the spray bottle (a standard accessory), is attached to this end, almost anything can be sprayed. Insecticides. Disinfectants. Room fresheners. And, even paint!

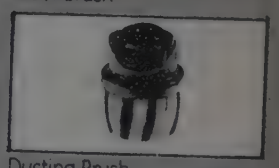
For convenience in servicing, there are over 40 service centres, all over India.

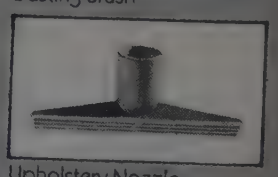
For a free demonstration at your premises, contact:

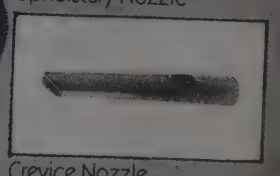
EUREKA FORBES LTD.
Industrial Products Division
Forbes Bldg., 4th Floor, Charanjit Rai Marg,
Fort, Bombay 400 001.
Tel: 2044695, 2043286, 2047870.

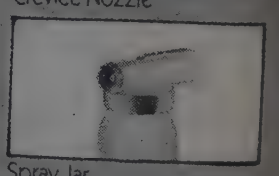



Floor Brush


Dusting Brush

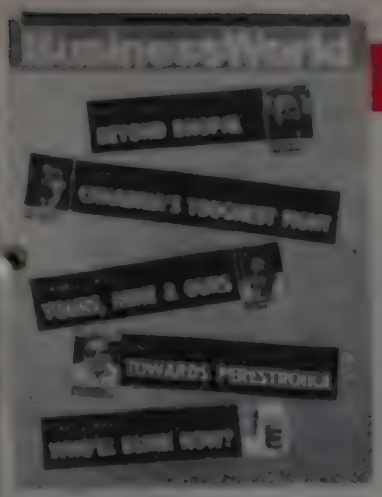

Upholstery Nozzle


Crevice Nozzle


Spray Jar

Z-75
The first name in compact heavy-duty vacuum cleaners.

everest/88/EFL/431



LETTERS TO THE EDITOR

BW IS BEST

I have just read the issue with the Business Feature on Gammon India (*BW* 1-14 March). It is really excellent.

I must compliment you on the high standard of the magazine now and also the bunch of top professionals who have agreed to write for you. *BusinessWorld* is clearly the best in the business.

Your bias for marketing and advertising is quite evident. As a marketing person, I like it. But, the articles by some leave me stumped. The best column I like is 'Corporate Combat'. It is a simple, yet well researched column. Could you get the author to write a few articles on basic marketing issues?

ASHOK MALIK
Bombay

IT'S A SHAME

This refers to the Special Report on Coke Vs. Pepsi (*BW* 1-14 March). Jamsetji Tata laid the foundations of the country's first steel plant in the early part of this century overcoming great obstacles, including disbelief by the English in his abilities. Now, almost eight decades later, I think it's a shame that the Tatas need American (Pepsi) technology to make sugary water.

V. RAMGANESHAN
Coimbatore

WASTE OF NEWSPRINT

Your Spectrum article titled 'The Modis: Yours, mine, ours' (*BW* 1-14 March), in my opinion, is a waste of newsprint.

Readers are sick of reading about the family quarrels of the Shrirams, the Modis, the Sarabhais and other business houses. It will be better if you avoid articles on such family feuds.

There are several upcoming mini industrial giants whose business skills and bold innovative methods you could possibly write about. I am sure most readers would welcome such articles.

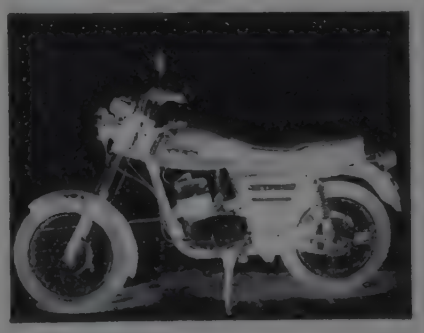
S.V. DATAR
Pune

POOR MARKETING

I refer to your Special Report on Ideal Jawa (*BW* 1-14 March) wherein the chairman and managing director has referred to production losses as a result of labour problems. But even when production was on in full swing, the company was not able to compete effectively. This was not only because of lower fuel efficiency and the higher price tag, but also because of inadequate marketing strategies and advertising.

I have hardly come across a catchy Yezdi ad on TV, on the screen or any publication. Moreover, the dealers lack an appropriate marketing attitude.

I am an ardent Yezdi supporter. In spite of the availability of other flashy bikes, I went to a Yezdi showroom in Madras to see the 350 cc bike. I was highly impressed and wanted to buy it. But before I spent my money on the bike, I naturally wanted to know the technical details. The dealers could only tell me about the basic systems and operations of the bike, which anyone who goes in for a 350 cc would know. But they were unable to, or were not interested in providing more technical details. Surprisingly, they did not even know the maximum speed, RPM and above all the average mileage of the bike. Naturally, I did not want to risk my money on the bike with so many of my questions unanswered.



WILL THIS YEZDI 175 CC SUFFER DUE TO BAD MARKETING ATTITUDES?

Thus, I bought an Enfield Bullet 350 and am very happy with it. If Ideal Jawa persists with a similar selling attitude while hawking its 175 cc, I am sure it will have to take a back seat very soon, while rivals have a field day.

LEO R. GANESH
Madras

INCORRECT REPORT

I was unpleasantly surprised to find a news item in the Offstage column of your publication (*BW* 15-28 March 1989) about Contract Advertising, in which it said I was slated to join Karishma Advertising.

This report is false and could have been easily verified if someone from your office had bothered to check with me personally. Items such as these can create more damage than good and it would have befitted a publication of your stature to have verified the facts before publishing.

V. SHANTAKUMAR
Bombay

We note Mr. Shantakumar's statement, but stand by the basic thrust of our report which says that some top people are quitting Contract. We, however, regret having titled the story 'Sinking Contract.' The exit of a few people cannot sink an agency as big as Contract, which is among the top 10 in the industry. Editor.

SETTING THE RECORD STRAIGHT

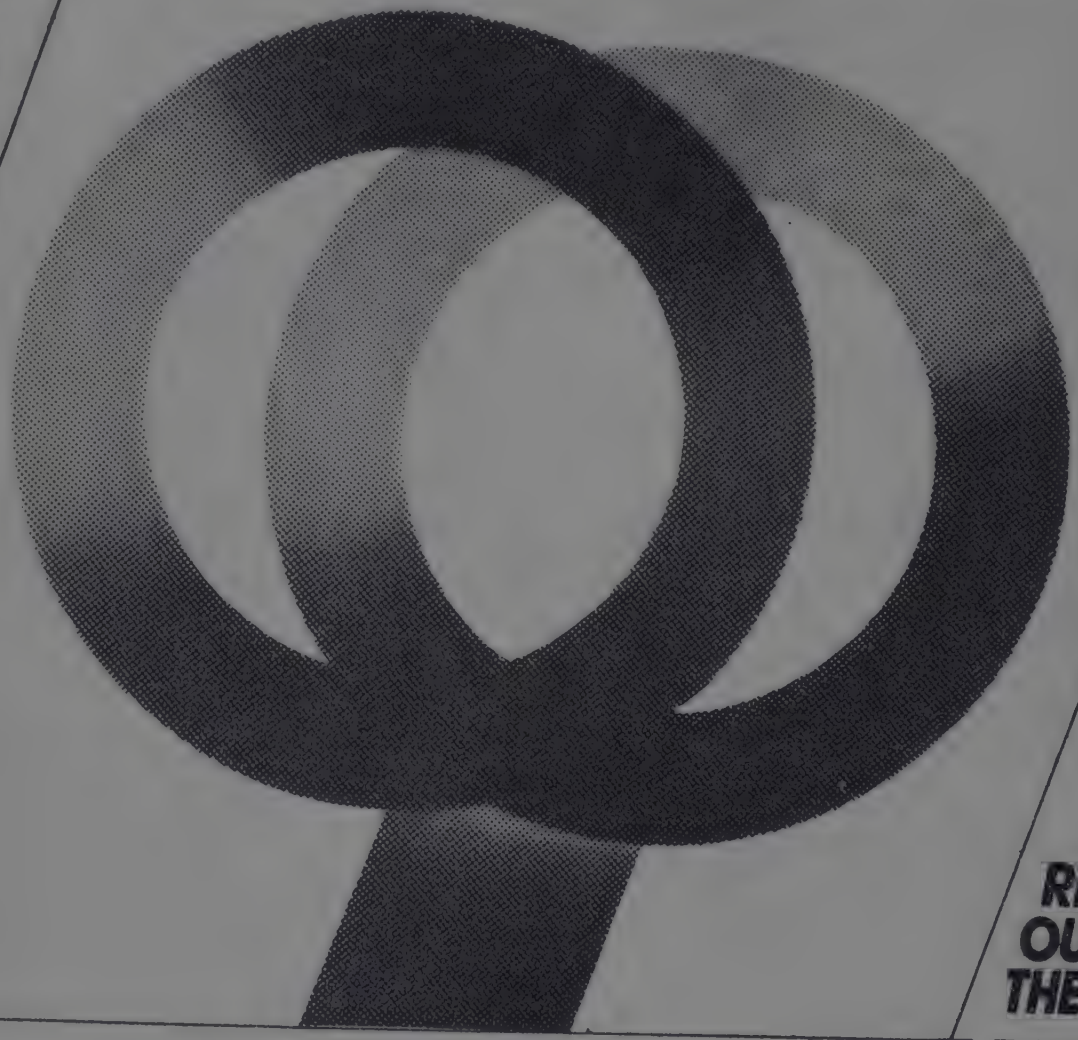
Thank you for the writeup about the launch of Instea in Bombay in your Company News & Events column (*BW* 15-28 February). There are some factual inaccuracies in the report. So this is to set the record straight.

First, the name of our company is Asia Tea Enterprises and not Asian Tea Enterprises, as mentioned in the report. Second, it is not correct to add Instea to hot tea and milk. The correct way is to "take a quarter or half teaspoon of Instea in a glass, add hot water, milk and sugar according to taste." We have received letters of appreciation from various sections of the public and there has not been any complaint. Our product is also instantly soluble and leaves no residue.

MANAGING PARTNER
Asia Tea Enterprises
Nilgiris

W.S. INDUSTRIES

WITH A COMMANDING PRESENCE IN ELECTRICAL TRANSMISSION AND DISTRIBUTION EQUIPMENT FOR OVER TWO DECADES



REACHING OUT TO THE FUTURE!

Thinking ahead right from the word go

The stage was set as early as 1961, when W.S. Insulators, as we were then known, was incorporated. The accent was on excellence. In technology. In the meticulous analysis of core industrial requirements. In the drawing up of objectives. And in the relentless pursuance of perfection.

From electricals, electronics, to the exciting world of communications

Soon enough, capacity at the Madras plant grew — fivefold! A plant at Bangalore joined the group. The sphere of operations widened. From Insulators and Surge Arresters to Power Line Carrier Communication Equipment. Not just there. From electricals to electronics was but a natural evolution. As was our entry into the communications field. Ample justification for the export figure standing today at 20% of turnover. Envisaged to rise to 40% over the next three years. New areas. New technology. New markets and challenges. Even a new name — W.S. INDUSTRIES (INDIA) LIMITED.

Research & Development — the powerplant to success

Always one step ahead, the group's R&D wing moved from innovation to innovation. Fine tuning their ability to absorb and adapt global technology. Refining and even improving upon it!

To crown it all, the CAPEXIL Top Export Award 1987-88

Fittingly, we were the recipients of the CAPEXIL Top Award for exports this year. Following a string of CAPEXIL Certificate of Merit Awards over the past years for sophisticated Insulators and Bushings. Tangible results from an R&D wing that has been rewarded with recognition by the Department of Science and Technology. As well as representations on various international technical committees.

Meeting the electronics and communications challenge — head on

Today, the stage is set for yet another technological leap. Into exciting and challenging areas. Two-way voice and data transmission... state-of-art switching equipment ... advanced communication systems. Apart from diversification into the challenging fields of Industrial Ceramics and Engineering Plastics. Challenges that W.S. looks forward to. With a confidence born out of a successful past.

W. S. INDUSTRIES (INDIA) LIMITED

W.S. INDUSTRIES (INDIA) LIMITED
PORUR, MADRAS-600 116.

LETTERS TO THE EDITOR

WHAT ABOUT SOORAJ?

The Technology Plus article by K.A. Neelakantan (*BW* 15-28 February) failed to mention the pioneering work done by Sooraj Motorcycles, which manufactures 325 cc diesel motorcycles.

Sooraj motorcycles are indigenously developed and have a fuel efficiency of 70 km per litre of diesel, which works out to nearly 200 km at the cost of one litre of petrol. This manufacturer has not been encouraged probably because he does not have a Japanese tieup.

It is unfortunate that the government, which encourages the import of fuel efficient technology at concessional duty, is not doing anything to promote indigenous technology.

J. THARAKAN
Ernakulam

FACILITATORS OR HINDERERS?

The Spotlight article titled 'Backroom Battalion' by Sujoy Gupta (*BW* 15-28 February) reports an amusing aspect of the executive assistant's (EA) job content. Persons dealing with the EA are unsure whether he or she represents or intercepts the Top Boss, whether the EA is a facilitator or a hinderer in the communications channel. One of the EAs referred to in the article, Indira Rajadhyaksha, blocked, turned away and disposed of my letter dated 27 July 1987 addressed to Ratan Tata, chairman, Nelco.

The picture tube of my Nelco CTV conked out only two years after I bought it. It was replaced by Nelco's local agents at a cost of Rs 3,195. As a loyal customer of the House of Tatas, insistent on better and consistent quality control of all their consumer durables, and as one who by ill luck was fobbed off with a bad Nelco CTV, I wrote to Ratan Tata.

But the EA intercepted that letter. She wrote to me on 5 August 1987 that it "has been forwarded to the divisional manager, consumer products division, with a request to initiate immediate action." On 28 September 1987, the manager, customer support, regretted his "inability in compensating in the matter" as the colour picture tubes were imported and if any conked out, Nelco was not responsible. Edifying and consoling indeed!



DID RAJADHYAKSHA BLOCK THE COMMUNICATION CHANNEL?

Did such a work ethic have the chairman's sanction? Would it have been ratified or condoned had my complaint been put up to Ratan Tata? By what yardstick can the result of the EA's 'exciting' and 'challenging' style of functioning be measured or justified? The executive assistant to the chairman can get "involved in so many things" constructively, committedly, imaginatively. But he or she must not become a barrier to communicating directly with the Top Boss.

P. SUNDARESA MENON
Madras

CARELESS REPORT

Your report on Indal (*BW* 1-14 February) is one of the most careless reports I have read in your magazine, without any analysis but purely going by the press handout of the company.

For your information, the critical problem with Indian Aluminium Co. Ltd. is the top-heavy management organisation chart. Most of the senior managers are there because they have been with the company for ages and their function is purely ornamental. Indal may be the only company in which the travel bill of senior managers is higher than the total wage bill.

The senior managers are used to working with expatriates only and cannot digest the ideas of the present MD who is an Indian.

The company always gives priority to recruiting the children of former managers to the management cadre, irrespective of their qualifications. In the process, management standards have deteriorated considerably in the last few years.

SHEENA JOHN
Bombay

COUNTER SPOONERISM

This refers to a letter published in *BusinessWorld* (1-14 February). We wish to inform you that we started distributing free spoons with 50 gm packs of Gold Cafe at around the same time when Food Specialities resorted to the same promotion technique. The difference was that whereas our spoons were of plain stainless steel, our competitors had embosed their brand name on their spoons.

It is possible that a mix-up might have occurred at the retailers' end, and that some dealer may have given a Nescafe spoon with a pack of our coffee.

V.K. SURI
Marketing manager
Indodan Industries
New Delhi

INFORMATION WANTED

I am writing the biography of the late Kishinchand Chellaram, the noted Sindhi businessman.

I would like to hear from people who were associated with him or knew of him and who would like to reminisce about him. I would also like to receive non-returnable material like letters, photographs and press clippings. My address: 64, Sangita (behind Telephone Bhavan), Colaba, Bombay.

HIRO SHROFF
Bombay

CLAP! CLAP!

Kudos to A.K. Ganguly and *BusinessWorld* for publishing a much-awaited article on the 'Perils of private banking' (*BW* 18-31 January). His keen observation and analysis regarding the monitoring of private sector banks by the RBI and the role of nominee directors deserve a standing ovation.

If a thorough exposure is undertaken of vested interests, the findings could be mind-boggl[illegible]

P. SUBBA RA[illegible]
M[illegible]

SHOCKLOADING!
OVERLOADS AND UNDERLOADS!
ENERGY LOSSES!



The Effective Electronic Solution from Fenner

Introducing Fenner Softstart and Shearpin Electronic Power Protection Units.

Fenner Softstart and Shearpin are designed to tackle problems for which no adequate solutions are offered by existing systems.

FENNER SOFTSTART

An innovation in electronic motor control. For an engineered start for all your motors. And for energy savings. The features and benefits are:

- Reduction of high starting currents.
- Optimum torque with minimum current.
- Smooth voltage/current build-up — hence no stress on motor.
- Single phasing protection incorporated.
- Extremely easy to install.
- Absence of mechanical stress/constant accelerating torque with smooth run up speed.
- Consecutive starts without damage to units.
- Saving on maximum demand.
- Closed loop version for high starting torques, continuously varying loads, etc.

FENNER SHEARPIN

A new breed of protector, which monitors variables like voltage, current and power factor, computes actual loads, compares them with set loads, resulting in totally effective protection against overload and underload.

Its benefits are:

- Trips motor independent of inverse time/current relation at the selected level of load and time, unlike existing low tension motor protection systems.
- Protects motor against single phasing.
- Adjustable trip time—0.15—12 secs.
- Start time delay — 0.15 — 20 secs.
- Protects both driven equipment and motor.
- Continuous indication of motor loading — helps preventive maintenance.
- No elaborate maintenance required/easy to install.
- Applicable for single phase motors also.

For speed control, Fenner Speedrange AC and DC is a compact modular solution, offering you a choice of features.

Join MICO, TELCO, LMW, WIDIA, BHEL, MODIPON, PIECO and other companies using Fenner's Softstart and Shearpin. Contact your nearest Fenner office, or send this coupon to:

Fenner (India) Limited
Industrial Electronics Division
9-1-87 Sarojini Devi Road
Post Box No. 46
Secunderabad 500 003

I am convinced about the benefits of Fenner Softstart and Shearpin. Please ask your Sales Executive to call on the undersigned.

Name: _____

Designation: _____

Name of Company: _____

_____

Address & Telephone: _____

_____

_____

Fenner

The undisputed leader for over 50 years.

F-386-89

KILLING THE MRTP ACT

The Union government has virtually killed the real intent of the provisions of the Monopolies & Restrictive Trade Practices (MRTP) Act relating to the setting up of new units by large business houses.

The intent of s.22 and allied provisions is to enable the government to decide whether the setting up of a new project would lead to concentration of economic power to the common detriment, or whether it is prejudicial to the public interest.

The law provides that the government can either decide on its own or refer the application for a new project to the MRTP Commission for enquiry and then decide the fate of the application.

The story of how the government sidelined the commission is too well known to require any elaboration. The Commission, in fact, has hardly been asked to study any application for the past few years.

What is less known is the fact that the government has been processing the applications not from the angle of concentration of economic power,etc. but from other angles which hardly come under the explicit purview of the MRTP Act.

A glance through some of the recent rejection orders issued by the department of company affairs shows that the applications of unlucky industrial houses were disposed of on grounds such as high foreign exchange outgo in a foreign collaboration proposal, doubts about the credentials of the technology supplier, uncertainty about the supply of raw materials and failure to submit a composite application for industrial licences, foreign collaboration and capital goods import.

Where does the MRTP Act say that the government can also examine foreign collaborations while deciding on applications filed under s.22 of the Act? Can the department of company affairs not approve an application with the provision that the foreign tieup be examined by the technical evaluation committee and the foreign investment board — the panels set up for the purpose of assessing technical and financial tieups? And where does the Act say that an application will not be cleared till the raw material supply is assured?

If the department is unable to marshall factors relevant to the provisions of the MRTP Act, then it simply rejects an application without explicitly stating the reason for rejection.

Take the case of Grasim Industries' application for setting up a unit to manufacture Lab, the intermediate for synthetic detergents. After blowing hot and cold over its application for over a year, the department rejected the application in September 1988 by making a passing reference to the fact that the company is a dominant manufacturer of viscose staple fibre and of capital goods for viscose projects.

Is the government implying that its dominance in the viscose field would get strengthened if it is allowed to enter a new field?

If that is so, how has the Reliance group got permission for so many backward-integration projects, including plastic products at Hazira for which indigenous raw material supply was as uncertain as in the case of those applications which were dumped in the dustbin?

PITRODA'S TELECOM AMBITIONS

It is not only the private sector which lobbies with the government for a favour or two. Big leaguers in the government too are not above pulling strings and planting stories to get into the dole queue. For the government has so many favours to dispense with that there is always a bevy of fortune hunters knocking at its doors.

Take, for example, the case of Sam Pitroda, the technology whizkid who was supposed to help Rajiv Gandhi usher the country into the 21st century. He has not been able to make much of a headway in the Centre for Development of Telematics (C-Dot), which appears to be losing fizz, if the Sundaram Committee report is anything to go by. Claims heralding the telecom revolution are no longer heard and glowing promises about developing main automatic exchanges have not been kept. Even so, Pitroda has staked his claim for the Telecom Commission, which the government has decided to set up as a nodal agency. And, at the time of going to press, it seemed likely that the man who heads six technology missions may add one more mission to his charge.

Some newspapers had claimed that Pitroda had already been chosen by the first week of March. This was not true at least till the beginning of April. Stories to this effect were deliberately planted to give the impression that only Pitroda could handle this onerous job.

The truth is that, as of the first week of April, the selection committee had not taken a final decision on whether to appoint Pitroda. The committee, headed by B.G. Deshmukh, now principal secretary to the prime minister, met once in March without coming to a conclusion.

DID PITRODA JUMP THE GUN?



RECTIFYING ANOMALIES



In order to stem the misuse of the income tax law, the Finance Bill, 1989, seeks to amend two provisions — one pertaining to the investment deposit scheme and the other to taxation of book profits

The Finance Bill, 1989, seeks to plug loopholes in respect of two provisions of the income-tax law: one pertaining to the investment deposit scheme and the other to the taxation of book profits under s.115-J of the Income Tax Act, 1961.

The investment deposit account scheme was introduced as a substitute to investment allowance. The latter was available to every assessee who purchased a new ship or a new aircraft or installed new plant and machinery for the manufacture or production of any article not specified in the eleventh schedule to the Income Tax Act. For obtaining the benefit of investment allowance, the accent was on the actual investment made in plant and machinery installed to produce or manufacture items of high priority and not on the person who made the investment. However, under the investment deposit account, any person can obtain the benefit even if the investment is made for low priority items. This is not in keeping with the object of ensuring the development and growth of the priority sector.

To remove this anomaly, the 1989 Finance Bill seeks to amend s.32-AB to provide the benefit of deduction to any business assessee who deposits, and utilises the money so deposited, in the purchase of new machinery or plant for use in the manufacture or production of priority items (i.e. items not specified in the eleventh schedule).

Sub-section (5-A) of s.32-AB of the Income Tax Act provides that the amounts deposited with the development bank (the IDBI) in accordance with the scheme cannot be withdrawn before the expiry of five years from the date of deposit, except in certain cases.

This sub-section is currently being interpreted to mean that if any withdrawal is made after a period of five years, the stipulated conditions regarding the purposes for which a withdrawal can be made do not have to be complied with and no tax will be levied on the amount withdrawn. Such an interpretation is against the legislative intent and may lead to protracted litigation.

With a view to clarifying the legislative intention in this regard, the Finance Bill seeks to make an amendment in s.32-AB. The amendment provides that where any amount is released by the development bank after a period of five years from the date of deposit and the same is not utilised in accordance with the scheme (and within the time specified), the same shall be deemed to be the profits or gains of business of the year previous to the one in which such withdrawal was made and shall, accordingly, be taxable.

Further, as the circumstances mentioned in clauses (a) and (d) of sub-section (5-A) may be used for tax avoidance, it is also proposed to clarify that the money withdrawn or obtained consequent to the closure of the investment deposit account because of th closure of the business or dissolution of th firm will be subjected to tax in the year o withdrawal or closure of account. Unde the existing provisions of s.115-J of the Act where the total income of a company is les than 30% of its book profits for that yea the total income chargeable to tax i deemed to be 30% of such book profits. Fo the purposes of the aforesaid provision "book profit" means the ne profit shown in the profi and loss account in the re levant previous year pre pared in accordance with the provisions of the Com panies Act, 1956.

It has been observed that a large number of companie have interpreted the term "book profit" to mean that in case they are following ar accounting year (under the Companies Act, 1956) which is different from the previous year under the Income Tax Act (that is the period ending 31 March), then the provisions of s.115-J do not apply to them.

As this is against the legislative intent, it is proposed to make it mandatory for all companies to prepare their profit and loss accounts for the period ending 31 March for the purposes of working out the "book profit".

ADJUSTMENTS

Under the existing provisions, certain adjustments are made to the net profit as shown in the profit and loss account. One such adjustment stipulates that the net profit is to be reduced by the amount withdrawn from reserves or provisions if any such amount is credited to the profit and loss account. Some companies have taken advantage of this provision and reduced their net profits by the amounts withdrawn from reserves created or provisions made in the same year itself, and the reserves were not added to the book profit. Such adjustments lead to an undue lowering of profits and consequently the quantum of tax payable gets reduced.

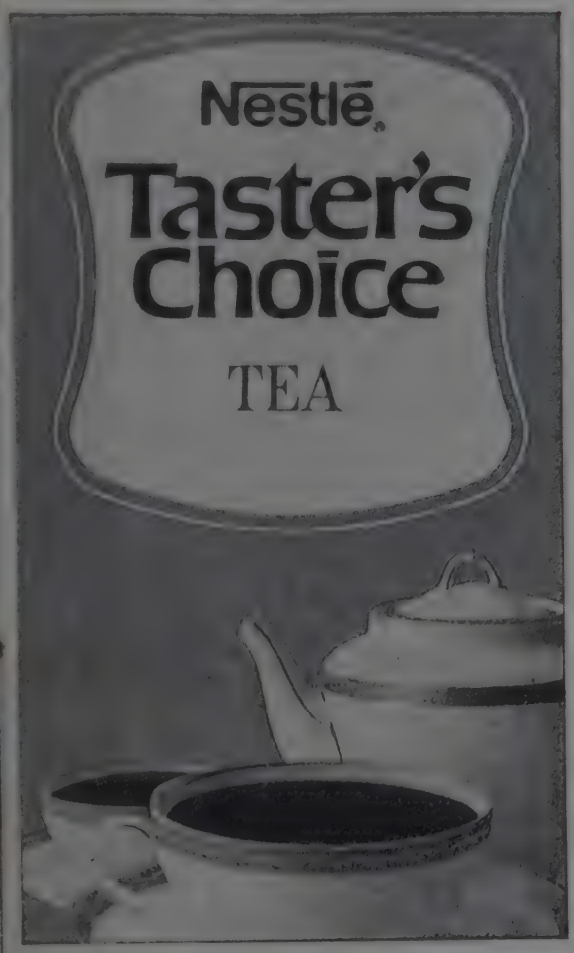
With a view to counteracting such a tax avoidance device, it is proposed to allow for the reduction of "book profits" by the amount withdrawn from reserves or provisions *only* in specific situations which rule out misuse.

There is no doubt now that the above two amendments will ensure that book profits are liable to tax in the case of every company. Further, the investment deposit scheme will now have to be strictly utilised for the purpose of buying new plant and machinery or repaying a loan in respect thereof. The law has been considerably tightened to avoid its misuse.

■ *H.P. Ranina*

The author is a Bombay-based advocate.

FSL'S DIP INTO TEA



It may end up as a storm in a tea cup. But if Food Specialities Ltd. (FSL) which has just launched its maiden tea — Taster's Choice — has its way, it could become something bigger.

Targeted at the upper end of the market, and seeking a head-on confrontation with Brooke Bond's Taj Mahal Tea, Taster's Choice has made a dignified entry into the market. But its approach is a shade different.

As tea drinking is a deeply ingrained habit in India, all tea advertising so far has centred on situations and brand personalities rather than the product per se. The FSL commercial, however, speaks of the long leaves and CTC tea from Assam drawn from the best tea gardens etc. The human element is introduced much later. It is a product-based, hard-sell commercial which also speaks of the flavour-retaining, innovative foil packaging, in contrast to the usual polybag or cardboard packs.

As consumers are yet to build an association between FSL and tea, a massive awareness-cum-sampling programme has been launched. All retail stocks of FSL products have been affixed with a Taster's Choice sticker and a 20 gm foil-polypack sachet is being given as a consumer offer against every FSL product purchased. Rumours say that the sample sachet is also being given free with every pack of Taj Mahal Tea.

All the promotional effort might come to naught because of the nature of the product. Most consumers are accustomed to boiling tea leaves to the desired strength. The entire flavour and aroma of Taster's Choice, however, can be savoured only if the brew is prepared in the true British fashion of pouring hot water on the tea leaves in a teapot. Boiling the leaves causes the brew to turn almost bitter. Though the instructions on the pack plead "Use as per method given below", it is unlikely that housewives will follow instructions.

With the product quality inextricably bound to the how-to-use, any deviation from the preparation method could result in dissatisfaction with the product. FSL, however, seems to have pinned hopes of realising sales targets from the upper-upper income groups, who by habit make tea the way the British do, or the way FSL recommends. Given the small size of the market, Taster's Choice sales may cheer but FSL is unlikely to get inebriated at its success.

A PURER PAPAD

Just as nothing exists in isolation, so also should no food be cooked in a vacuum. That food draws much of its flavour from the surroundings is a firmly held belief by the many who frequent roadside food stalls. Bhelpuri put together in the antiseptic conditions of a housewife's kitchen never quite tastes as good as when dished out from the hawker's cart.

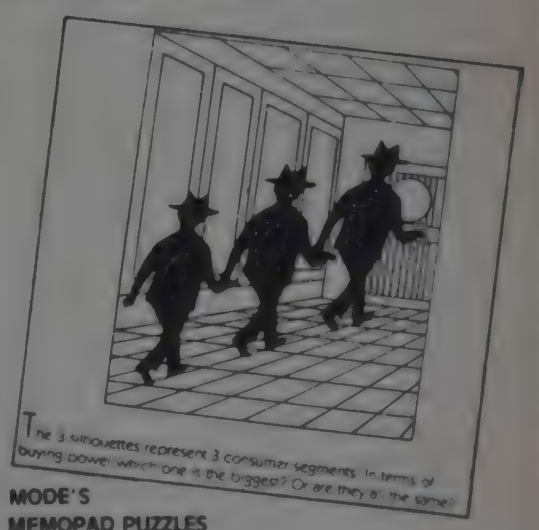


Gits Food Products is thus swimming against the tide with the launch of its antiseptic machine-made, hermetically sealed papads. Originally the domain of the cottage sector, papad manufacture was professionalised when the women's cooperative — Lijjat — undertook its manufacture and sale. But Lijjat never claimed to be the last word in hygiene.

Gits is, however, out to redesign the wheel. But on the platform of hygiene (machine-made, evenly rolled and cut), the brand is not seeing much offtake. The restriction of flavours is another handicap.

The brand might well go the way of Nik Nak wafers which got nowhere with claims of hygienic production and stringent quality control. Despite heavy advertising, the product flopped. Consumers seem equally likely to say git to this effort of Gits.

ILLUSORY GIFT



MODE'S MEMOPAD PUZZLES

The New Year is normally the time when companies bring out complimentary gifts for distribution among customers and associates. But when the gift arrives in the second month of the year, it sets one thinking.

To make the recipient think is really the end objective of the delightfully innovative gift brought out by Mode Services — a market research agency. Designed as a memo pad interspersed among the blank memo sheets are optical illusions with questions calculated to tease. Mode has cleverly rephrased the questions in marketing jargon.

But why did the gift come late? That's probably another optical illusion — it may have been there unseen all the time.



The Swan of the Skies Spreads its Wings

Pawan Hans. A corporation on the move. With a track record of swift growth and diversification. Coming of age in a short span of three years.

A fleet of 39 sophisticated helicopters—20 Dauphins and 19 Westland 30s—that give support services to the nation's vital energy sector. To ONGC, Oil India, Gas Authority of India, and Coal India. Saving the country Rs. 45 crores in precious foreign exchange every year. Carrying, in 1988 for ONGC alone, over 3,50,000 passengers and 9,20,000 kg cargo.

Providing vital link and relief services to the state governments of Jammu & Kashmir, Sikkim, Nagaland, Meghalaya, and Mizoram. And the distant islands of Andamans & Nicobar, and Lakshadweep.

Pawan Hans. A corporation that employs the most qualified and experienced pilots and technicians. A company whose flying and maintenance standards are as stringent as anywhere in the world.

A company with a vision of the future. Committed to bring the remote and high altitude regions of the country into the national mainstream. Tapping natural resources in inaccessible areas. Introducing shuttles from airports to city centres. Opening new vistas for tourism. For business. And for the nation's economy.

जवाहरलाल नेहरू जन्मशती
JAWAHARLAL NEHRU CENTENARY
1889 1989

PAWAN HANS LTD.

Palika Kendra, Sansad Marg,
New Delhi-110 001. Tel. 345930, 345943, 345966
Telex : 31-62849 HCI IN.

Exploring new frontiers

Advtg. Integrated/PH/5489

CUTTING WASTE IN ADS

Advertising in India today is practically on a par with the West. However, areas such as printing, reproduction and layout techniques could be improved. But the principal area where changes can be made is in reducing the waste in advertising. For example, advertisements for industrial products feature in prominent positions in the mass media which amounts to squandering the advertising rupee as far as reaching the target audience is concerned.

It is a cliché in the ad world that 50% of the expenditure on advertising is wasted — the only trouble is that one does not know which 50% it is! This is a very real problem for marketing professionals. But in spite of this widespread realisation, there are still some areas of obvious waste which can be at different levels.

Companies waste advertising costs by targeting the wrong audience, selecting the wrong message and by using more ad space than necessary in the mass media



The first is the selection of the wrong target group or the non-selection of any target group. The second is the selection of the wrong message or, sometimes, a totally inane, unrecallable message. The third is the utilisation of space area which can perhaps be economised without affecting the hitting-range of the advertisement.

Consider first the selection of the wrong target group. Is it really worthwhile spending money on advertising a textile loom or industrial motor in a mass circulated daily? For the same sum of money, one could perhaps get 10 insertions in a technical journal plus two special mailing shots to the target audience. Advertisers argue that most 'engineers' do read the dailies and hence this expenditure is not wasted. But would they not read the same advertisement with greater care and concentration if it was in a technical journal which they read at their workplace?

There are others who argue that such mass media advertisements create a 'corporate image' for the company. But if the idea is to create a corporate image then the kind of advertisement would have to be considerably different. It cannot be designed to talk at length about the advantages and specifications of X brand of industrial motors.

Some companies go to a ridiculous extent in focusing on a target segment. There was once a case of a paint manufacturer, who had just eight hoardings in Bombay, but three of them were on the road that led from the office to the managing director's residence. This ensured that the target group of one would be happy and pleased that the company's paints were getting good exposure. Hopefully, better sales would follow. Naturally, it did not happen.

A lot of textile advertising falls into the second category. From the busy thoroughfares of large metropolises to the pandemonium ruled state transport bus junctions in small towns, hoardings exhort one to 'buy best ... buy X fabrics' or to 'look great in Y fabrics.' The advertising is so unplanned, so dispersed and so vague that the waste must be quite considerable.

There was also the situation where a large fertiliser company had hoardings in most villages, with a long message in English. If the message was directed at farmers, surely it could have been written in a less complicated style and in the regional language. This too would ignore the fact that many farmers may be illiterate. A better solution would have been to give higher priority to audio or audio-visual media.

It seems to have become a fashion to have full-page or half-page advertisements when quarter-pages could do just as well. Of course, there is a place for large advertisements occasionally: a special event, a new launch, a new showroom, or the visit of the president of the collaborator company. But to have large spreads on a continuing basis, with media costs being what they are, can only be described as a waste of money.

Many would have seen some of the advertisements in the appointments pages — a large 2 col X 15 cm ad for a secretary to the purchase manager on a salary of Rs 1,600, or a shift engineer at a salary of Rs 2,000 per month. Somehow, there is dissonance between the size of the advertisement and the size of the job.

There will always be arguments that these job advertisements help to project an image for the company, that they are an exercise in public relations, that they build corporate goodwill. Perhaps it may not be so always. Some years ago, a company used large appointment advertisements as a public relations exercise, and the ads appeared every month. Many of these were for the same jobs which were advertised twice or thrice earlier. But the image created was negative. Word got round that the company had to constantly advertise because there was a rapid employee turnover.

What is the optimum advertisement size? This is, of course, where advertising professionals come in. It depends on the product, the company, the target group, the medium, the message, the frequency, the budget, etc.

Nevertheless, the problem needs to be faced and handled. It is even more urgent in India because media costs are high compared to many other parts of the world. A recent study shows that TV advertising rates here, based on the number of sets used for viewing, are three times those in Pakistan and six times the rates in Thailand. Thus, the sooner one gets cracking on the problem of reducing wasteful advertising, the better.

■ *Walter E. Vieira*

The author is a Bombay-based management consultant

asci

ADMINISTRATIVE STAFF COLLEGE OF INDIA

announces the following programmes

LEADERSHIP AND ORGANISATION DEVELOPMENT
(June 12 to 24, 1989)

Eligibility: Managing Directors; General Managers; Divisional and Departmental Heads; Secretaries/Directors; Senior Manager (HRD) from Industry and Government Departments.

Seminar Director
Dr. P Singh

Last date for nomination
May 12, 1989

PROJECT MANAGEMENT
(June 19 to July 1, 1989)

Eligibility: Senior Executives involved in project execution and co-ordination, also executives in corporate planning, diversification, marketing and finance, executives responsible for project implementation in Financial Institutions, State Planning Boards, Research and Development Agencies and Construction Industries.

Course Director
S Sridhar

Last date of nomination
May 19, 1989

SALES MANAGEMENT
(June 26 to July 1, 1989)

Eligibility: Executives engaged in Sales function–Middle level managers of large companies or senior level managers of small and medium organisations.

Programme Director
Ms. Kinnera Murthy

Last date for nomination
May 26, 1989

PERSONNEL MANAGEMENT
(July 3 to 15, 1989)

Eligibility: Senior/Middle level executives connected with the areas of personnel/labour management, human resources planning and development, etc.

Programme Director
Prof. BR Virmani

Last date for nomination
June 3, 1989

CORPORATE FINANCIAL STRATEGY AND PLANNING FOR PUBLIC ENTERPRISES
(July 17 to 22, 1989)

Eligibility: Top and Senior level functional managers from Finance, Production, Marketing, Corporate Planning and other functions in Public Enterprises and Senior Executives of Development and Commercial Banks specialising in Corporate Financing.

Seminar Director
Prof. VE Ramamoorthy

Last date for nomination
June 17, 1989

Organisational sponsorship is essential

For brochures, nomination form and fee particulars, please write to:

Programmes Officer
Administrative Staff College of India
Bella Vista, Hyderabad 500 049
Phone: 36952/56 Extn: 247
Grams: BELLAVISTA
Telex: HYD 0425-6390

ASP/ASCI/89/42

ASCI: The College for Practising Managers

TWO ROUTES TO TURNAROUND

The revivals of very sick organisations are miracles of the corporate world. The turnaround of the long-ailing IRI of Italy, reputedly the world's largest public enterprise, was heralded in the world's press in 1987. Earlier, the turnaround of such behemoths as Chrysler Cor., NCR and British Steel, too, had been widely applauded in the press. In India, the media has been playing up the regeneration of Sail under V. Krishnamurthy's leadership, as it did earlier the improvement in the performance of such giants as the Damodar Valley Corporation under P.C. Luthar and Coal India under M.S. Gujral.

Turnaround management is more than just a spectacle. It is an interesting form of dynamic management, a credible alternative to the techniques and systems-oriented management style that originated in the US. Turnarounds also provide interesting insights into crisis management, change agentry, collective creativity and culture building — or rather cultural revitalisation — in stagnant, demoralised organisations. A study of turnarounds thus offers rich opportunities for reconceptualising what management is all about.

Basically, there are two major kinds of turnarounds. One is the surgical variety practised widely in the West, especially in the US Wild West. The second is the humane variety. Broadly speaking, the *modus operandi* in a surgical turnaround is to replace the chief executive of an ailing corporation by a tough new chief. The latter wastes little time in asserting his authority by issuing peremptory orders, centralising certain functions, and by spearing some convenient scapegoats. Then he goes about firing employees *en masse* and auctioning whole plants and divisions until the fat is satisfactorily cut to the bone.

The bloodbath over, the product mix is revamped, obsolete machinery is replaced, research and development is stepped up, marketing is strengthened, controls are toughened, accountability for performance is highlighted, and so on. How bloody this sort of turnaround can be is seen from the examples of companies like the US video games manufacturer Atari, which cut its labour force by two-thirds to 3,500 to turn itself around. At British Leyland, 40% of the employees (84,000 of them) were axed to keep the company afloat.

By doing so, ailing companies can no doubt scramble back to a black bottomline, but there is a price to pay. The loss to the company is of commitment, skills, experience, knowhow and productive capacities. The loss to society is the cost involved in unemployment compensation, job retraining, etc. The loss to the laid off employees is a drastic reduction in the standard of living, anxiety about the future, loss of status, feelings of worthlessness, etc. These are large losses, and possibly acceptable in an absolute emergency, but not as a habitual response to corporate crises.

The other type of turnaround management is the humane kind. It *may* involve negotiated and humane layoffs and divestiture, but not bloodbaths. This turnaround, too, is generally brought about by the new helmsman. But he spends a great deal of time trying to understand what the problems are, takes all the stakeholders, including unions, into confidence, gets groups within the organisation to brainstorm together on what needs to be done to solve the problems, tries to create a strong work culture, and generally creates a strong sense of participation in the employees.

By now there are many examples of success with this type of turnaround management, including some in India's public sector.

■ At Burn Standard, the appointment of a new chairman-cum-managing director in 1978 signalled the start of a turnaround. After losing 26% on sales in 1978-79, the company managed to raise real employee productivity 300% over seven years. There were no significant layoffs.

■ Hindustan Photo Films was making heavy losses in 1968. Under a new part-time chairman appointed in 1972, this public sector company clawed its way back to breakeven levels by 1976 and to decent profits some years later.

■ At Sylvania Laxman (now Laxman Sylvania), the top management was reorganised at the instance of the financial institutions in 1977. The company turned profitable the very next year without axing labour.

■ Indian Oxygen suffered a sharp decline in profitability for two successive years. But with a number of new and young top executives being put in charge in the late seventies, the decline was reversed quickly. Again, there were no major layoffs.

Managements have two routes to turning around a company. The first — surgical — variety is quite messy as it involves axing employees. The second — and humane — one is pleasanter and involves employee participation in the turnaround process. It works better

The mechanics of humane turnarounds may be illustrated by a couple of examples. Sail, the giant Indian public sector enterprise with 250,000 employees, offers a good example of how the right kind of humane treatment can get even so vast, bureaucratic and overmanned a setup quickly on to a performance improvement trajectory. Sail's losses were about Rs 100 crores in 1982-83 and Rs 200 crores in 1983-84. A price rise next year saw Sail break even in 1984-85. But rapid increases in coal prices and freight rates threatened a loss in 1985-86. The steel ministry and the Sail management then called for another price hike.

V. Krishnamurthy entered the scene as chairman in mid-1985 and promptly lobbied against a price rise on

ELECTRONIC ACCELERATORS

Series ELV
direct-action
continuous
operation mode

Series ILU
single-resonance
hig-frequency
pulsed operation

employed in all kinds of industries in radiation-chemical cycles :

— to produce heat-setting parts
— to modify by radiation cabling and wiring with polyethylene insulation
— to produce expanded polyethylene
— to produce extruded industrial rubber parts
— to solidify coating layers regardless of the base surface (polymers, metals, wood, paper, ceramics)
— grain desinsectization
— waste water treatment

Energy and average accelerator beam strength-maximum range of measurement

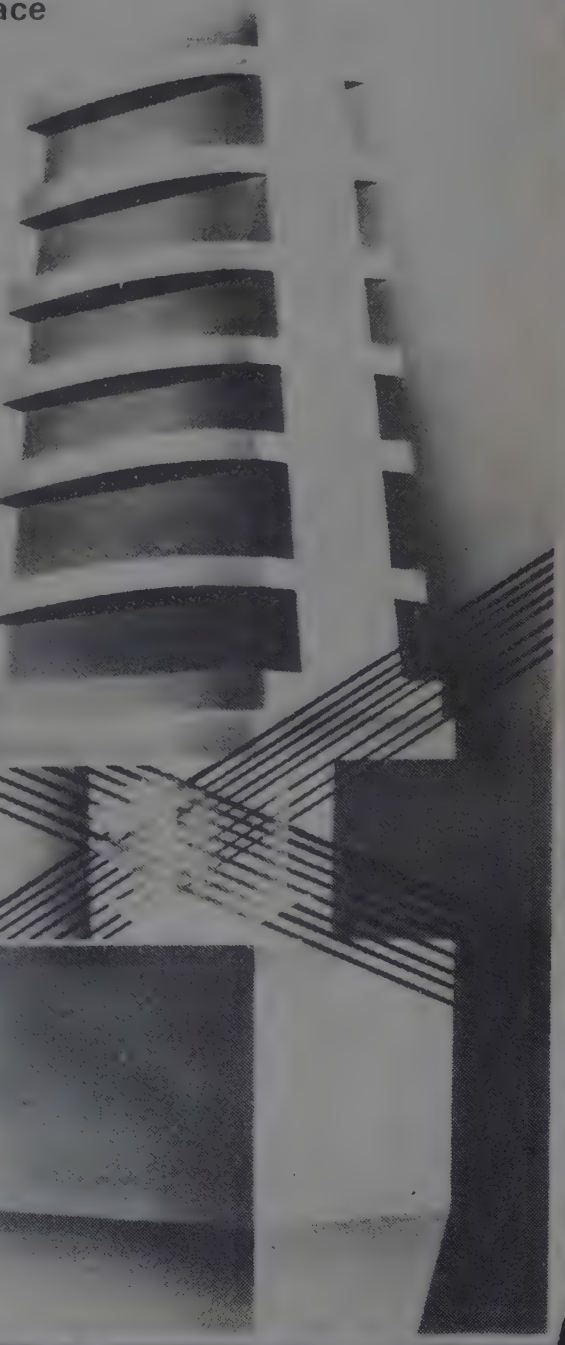
ELV-1	ELV-2	ELV-3	ELV-4
MeV 0.4-1.0	0.8-1.5	0.4-0.70	0.8-1.5
kW	20	20	50
kW			
kW 20	20	50	50
ELV-6	ILU-6	ILU-7	ILU-8
	20	50	
0.8-1.5	0.5-2.0	2.0-3.0	MeV 0.4-0.7
	20	50	kW 20

ILU-8 and ELV-3 accelerators can be delivered with individual radiation protection.

Round-the-clock operation

INDUSTRIAL ACCELERATORS STAND FOR

— a higher rate of the cycle process
— reduced production cost
— minimized chemical and heat pollution of the environment
— improved product quality



Exported by :

V/O TECHSNABEXPORT

26, Staromonetnyi per., 109180 Moscow, USSP
Tel. 233-48-46
Telex : 411328 TSE SU 411239 TSE SU

TENEX

ALL-UNION
FOREIGN TRADE
ASSOCIATION
TECHSNABEXPORT



Effective communication down the line in an organisation does away with the necessity of having a bloodbath on the labour front while trying to put a company back on its feet

"WE WANTED AN AGGRESSIVE CEO TO TURN THE COMPANY AROUND. BUT WE DIDN'T MEAN THIS!"

the ground that efficiency had to be improved. Indian steel was the costliest in the world, and any further rise in steel prices would have deleterious effects on the economy, he said. Krishnamurthy spent the next several months talking to small groups of officials, executives, staff and workers. He estimates that he talked with over 25,000 persons to identify operating problems, get perceptions of how the company was doing, and what people thought could be done to improve operations. The turnaround strategy eventually emerged from such discussions at all levels.

Another example is provided by a completely contrasting company, called Heecol. It is a private sector unit and when it fell sick in the early seventies it had only around 600 employees. It produced fans and bulbs and operated in rather competitive markets. It was a single location company. Following years of losses, the financial institutions took control and appointed a professor of finance as the head in July 1973. Like Krishnamurthy, this gentleman also took a lot of time off from routine work to meet managers, workers, suppliers, distributors, people from the financial institutions and union officials, among others. He often visited the plants.

He briefed the company's various stakeholders about the problems it faced and the measures being taken, and sought their suggestions to speed up the turnaround. The company's books were opened to the union leaders, and regular bimonthly meetings were started with them. An agreement was reached with the leaders to revise outdated productivity standards. A voluntary retirement scheme was started with the cooperation of the financial institutions and thereby savings of Rs 1.6 lakhs per year were effected. The company's guest house and two cars were sold off to generate some badly needed cash.

A number of inter-functional task forces were formed to deal with specific operational problems. A week-long training programme in cost reduction was started for all supervisory personnel. Obsolete inventory was sold off, overstocking was reduced, and a further Rs 2 lakhs in cash was generated. Purchasing was streamlined. Wasteful practices were eliminated. Centralisation was effected in some services, as also economy in transport. Money-losing sole selling agreements were terminated. Branches were strengthened, and direct contacts with dealers of lamps were established.

The company undertook vigorous publicity and selling efforts to improve capacity utilisation, and appointed regional sales representatives for fans. After-sales service and showroom facilities at five offices were set up. Profit centre divisions were formed for lamps and fans and additional responsibility centres were formed in each division. Relevant cost data were compiled and disseminated to each supervisor for corrective action. Quality was emphasised and some of the personnel in quality control were changed.

A strong internal control system was set up and the targets were made more realistic and precise. A 12-month rolling forecast system, broken down into quarters and months, was set up. A simplified MBO was started and managers were selectively sent for training to rectify weaknesses. While a new prototype fan was developed, a proposal to produce glass shells, involving an investment of Rs 1 crore, was deferred until 1975. The company turned profitable in that year.

Despite the enormous differences in the sizes, technologies, market power and ownership of Sail and Heecol, the parallels in the way the two were turned around are striking. Neither went in for a bloodbath on the labour front. The crucial element in both turnaround strategies was effective communication down the line

■ *Pradip N. Khandwalla*

The author is L&T professor of organisational behaviour at IIM, Ahmedabad

WHAT PRICE DEMOCRACY?

Are we paying too high a price for democracy? The cost, of course, is not in terms of election expenses (high though they are), but in terms of falling standards of public behaviour. Shouting, walk-outs and other forms of *tamasha* have always been common in our legislatures. Some respectability was sought to be bestowed on them by Ram Manohar Lohia and his Lohia Socialists in the sixties and seventies, with Lohia himself leading the pack. But the public exhibitionism of some parliamentarians and legislators has now assumed alarming proportions and it is not uncommon for members to be suspended *en masse*.

Legislatures have now become battlegrounds for opposing parties in a physical sense. Fisticuffs have replaced sophisticated arguments

In recent times, Opposition MPs have been suspended in the Lok Sabha, Opposition MLCs in Bangalore and AIADMK members in Madras. Only recently, Congress(I) MLAs in West Bengal resorted to violence in the West Bengal Legislative Assembly and governor Nurul Hasan had to be escorted to safety by security officials. Now the Tamil Nadu Legislature has outdone everyone else, beating its own 28 January 1988 record of chaos and bedlam. Legislators threw paper weights, budget papers, microphones and, in the words of *The Hindu*, "anything that one could lay one's hands on" at each other.



The fact of the matter is that legislatures have now become battlegrounds for opposing parties in a physical sense. Where once members spoke in dignified prose and respectful banter, today they take recourse to violence and abuse. Gone are the days of the Bhulabhai Desais, Satyamurtis and Hridayanath Kunzrus. Their place is now taken up by a new breed of men with little to distinguish them from street-fighters. Fisticuffs have replaced sophisticated arguments. Anger has replaced studied thought.

Limited franchise under the Government of India Act 1935 produced quality legislators, both in the provinces and at the Centre. Men of stature got elected whose intellectual parry-and-thrust was a pleasure to listen to. The quality of men has since then fallen to deplorable depths. The only way in which legislators can show their disapproval is by unseemly walk-outs and unruly behaviour, leading speakers no alternative but to suspend members. Tragically, such occasions are becoming uncomfortably numerous.

This is not to say that the feckless behaviour of our legislators is a purely Indian phenomenon. Members of the Diet in Japan have been known to indulge in even more violent behaviour. And occasions have not been lacking in even the "mother of Parliaments" of MPs staging noisy walk-outs, leading Winston Churchill once to observe that "democracy is the worst form of government except all those other forms that have been tried from time to time."

BOORISH CANDIDATES

The trouble in India is that party tickets are given not to the elite but to anybody who can bring in the votes. If a candidate can manage booth-capturing in style, that would seem to be additional qualification. So we have legislators who know little about the niceties of legislative action and attendant virtues and more about how to shout down one's opponents and bring all activity to a standstill. And there seems to be no getting away from it.

Not long ago, when the leader of the Shiv Sena in Bombay was asked how come some 80 and more Shiv Sena corporators in Bombay did not have the minimum SSC qualification, the reply that he gave was classic. "That" he said, "is democracy". It matches with the comment attributed to the late Raj Narain who reportedly said that there should be more illiterates in Parliament as they would represent the majority of the people.

What can one expect from corporators who do not even have minimal educational qualifications? Bombay's Municipal Commissioner recently told an interviewer that in March 1987 contracts involving Rs 31 crores remained undecided for a period ranging from three months to 15 months. Why was the Standing Committee delaying awarding contracts? he was asked. "For reasons known to everyone" came the reply. S.S. Tinaikar, the commissioner, cited the example of one Shiv Sena corporator who had 700 sq ft of land in a slum area who extended it illegally to 17,000 sq ft and built a structure on it which had to be subsequently demolished. There was another councillor in Bhandup, accused in a murder case who, too, raised buildings on land illegally occupied. "Are they not ashamed of all these things? asked Tinaikar. The answer to that is: "Well, they are not" for the simple reason that they do not know any better. The prevailing philosophy is grab and take what one can, especially if the minions of law and order can be persuaded to look the other way.

The late Chinese leader Mao Zedong had once said that the village will surround the city, meaning thereby that the peasant will take over from the city-bred. That, of course, has not happened. It is not to underestimate the virile commonsense of the peasant as to point out that administration takes something more than commonsense. Perhaps what we see today is the backlash of a long period in our history when the brahmins — whether at the Centre or in the provinces — ruled in style. Style is now out of fashion. Crudity is in. Parliamentary behaviour is passé. Fisticuffs are ā la mode. We may mourn the passing of an era, but the wheel, no doubt, will turn. It has turned in China and it is turning in the Soviet Union. What we surely need is a little patience to see the wheel turn full circle.

■ *M.V. Kamath*

The author is a former editor of **Illustrated Weekly of India.**

INDIA CEMENTS' NEW CHALLENGE

Ten years after an ignominious ouster, the promoters of India Cements are back in saddle. But it's not going to be an easy ride

"It's not going to be a nine-to-five job: it will be an eight-to-eight daily marathon," says N. Srinivasan about his new slot as managing director of India Cements Ltd. (ICL) — a slot he will fill after an extraordinary general meeting (EGM) of the shareholders of the company on 21 April.

Srinivasan will be returning to the helm of India Cements almost exactly a decade after he was ousted from the post of joint managing director in an acrimonious EGM in early 1979. Srinivasan exited because of his feud with K.S. Narayanan, the then managing director and son of Sankara Iyer. The latter, along with Srinivasan's father T.S. Narayanaswami, had founded India Cements in 1947. Narayanan also quit as managing director in December 1979.

Srinivasan's second coming is partly because of a patchup with N. Sankar — Narayanan's son, and partly courtesy, the financial institutions. The institutions, which hold over 52% of the equity of India Cements, had ditched the original promoter families in 1979 when they fell out. In an about turn, they are now backing them fully 10 years later.

Sankar and Srinivasan will be elected to the board of directors at the EGM without any difficulty as the institutions will throw their 52% behind them. Immediately after the EGM, a meeting of the board of directors will install Sankar as non-executive chairman and Srinivasan as managing director.

After 22 April, Srinivasan will find that he has little time to indulge his passion for golf, perhaps not even on weekends. "My handicap will probably go up from 10 to 20," he admits wryly. It is not only that being the managing director of India Cements is no bed of roses: Srinivasan will also be under pressure to show that he is a better manager than the chief executives inducted by the financial institutions.

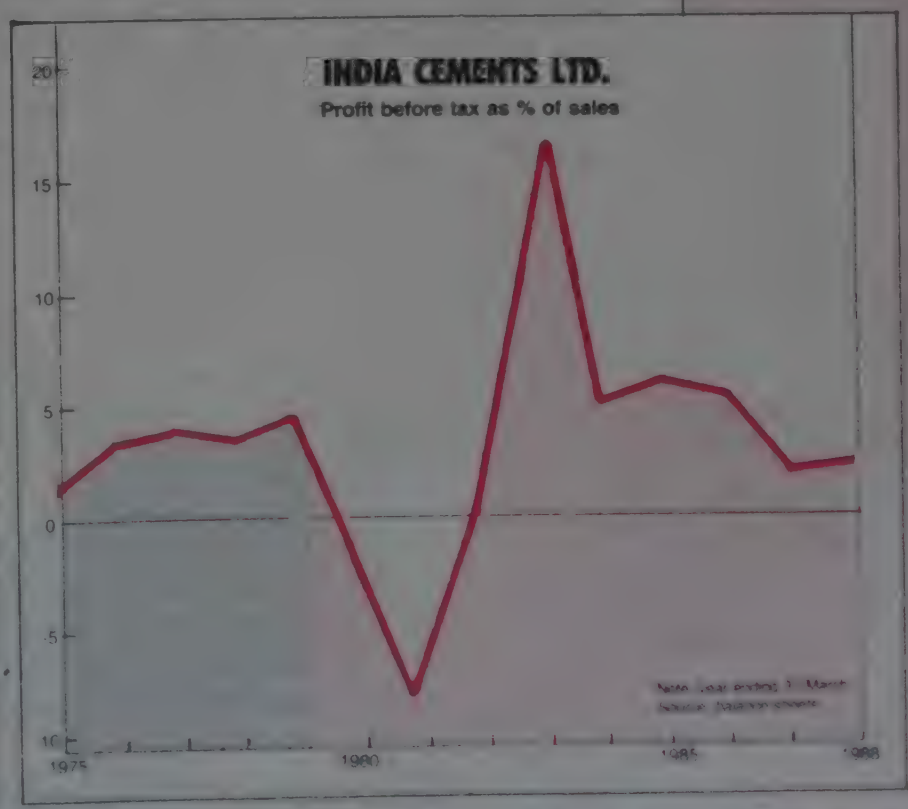
MANAGEMENT CLAIM

He has to prove this because a general impression has been created, particularly after 1983, that the "professional management" brought in by the financial institutions has done a much better job of running India Cements than the promoter families. This claim, which is disproved by the performance figures, was repeated each time the original promoters made a bid to regain control. It even found its way into press reports in recent months after it became quite clear that Sankar and Srinivasan were definitely making a comeback.

The duo has always maintained that the performance of India Cements under 'professional' management has been much the same as under the original promoters but for a brief period, when the exogenous factor of partial decontrol of cement in February 1982 lifted the entire cement industry to new heights of profitability.

The figures, all taken from the company's annual reports (year ending 31 March), say as much. For example, clinker production in 1987-88 was about the same as in 1974-75. Cement production was the highest in 1978-79 (about 15.4 lakh tonnes), the year immediately preceding the exit of Narayanan and Srinivasan. The highest figure reached under professional management was about 13.8 lakh tonnes in 1984-85. The same is true of capacity utilisation, which touched a peak of 102% in 1978-79 and hovered around 88% in the previous three years. Under professional management it ranged between 66% and 93%. The capacity was derated in 1984 and if that is taken into account, the highest capacity utilisation after the promoters left was a little less than 100% in 1984-85.

One of the most important indicators of efficient management is profit before tax (PBT) as a percentage of sales. On this count, the track records of the promoters and professional management in India Cements are similar, except in 1982-83, when it touched a phenomenal 17%. But this was an exceptional time for the entire cement industry, being the first full year after partial decontrol. In the rest of the post-decontrol period, India Cements' PBT as a percentage of sales has ranged between a high of nearly 8% in 1984-





SRINIVASAN WILL BE UNDER PRESSURE TO PERFORM

The new management will have to axe, possibly by natural attrition, at least 1,000 jobs to improve productivity and profitability

85 and a low of 2% in 1987-88. In the last five years of promoter management, the figure ranged between 2% and 5%.

But all this is in the past. The arclights are now focused on Srinivasan, who has to show — with moral and managerial support from Sankar — that he is no less a professional manager.

DISMAL MACRO PICTURE

It's not going to be easy. Srinivasan says he can make categorical statements only after he has got into the India Cements boardroom and studied the figures, but admits that "margins are definitely going to be squeezed even with total decontrol." Realisation per tonne may go up but costs will at least keep pace.

In this, Srinivasan is echoing the sentiments of the Cement Manufacturers Association (CMA), which recently presented an SOS to industry minister J. Vengala Rao.

The missive said that because of the recent hikes in railway freight and the across-the-board 5% additional excise imposed in the general budget, the outflow from the whole industry would be about Rs 182 crores, even after assuming a higher realisation of Rs 200 per tonne on the amount earlier being supplied as levy cement. On an anticipated production of 48 million tonnes in 1989-90, the freight and excise hikes would mean an extra burden of Rs 342 crores while the extra income from decontrol would be only Rs 160 crores for the industry as a whole.

At the same time, there are reports that some cement companies have sought a bail-out from the financial institutions, having defaulted on loan and interest repayments following a cash crunch in 1988-89.

Apart from the dismal macro picture, India Cements faces its own internal challenge. "An enormous surplus of low-productivity labour, organisational and managerial weaknesses and the slow pace of implementation of the Rs 98 crore modernisation scheme are the three problems faced by India Cements today," says a former senior executive of the company who prefers anonymity.

Srinivasan himself will not put it quite so strongly, but agrees that surplus labour is a problem. He feels that once the modernisation scheme is completed by December this year, matters will definitely improve. The facelift will convert the technology from wet process to dry process and result in enormous savings in coal consumption, Srinivasan points out.

P.V. Rajaraman, the outgoing managing director, agrees with the assessment that

FOR SIX YEARS SUPER SALES HAS STOOD FOR SUPER RETURNS.

128% cumulative dividends and two bonus issues.

Super Sales has always believed in rewarding shareholders. Consistent dividends and two bonus issues stand testimony to a commitment to shareholders welfare.

SUPER SALES – LAKSHMI VARDAAN

And now you too can share super returns, super growth and super performance. Super Sales offers you a premium opportunity to share its spiralling growth.

LAKSHMI VAR DĀĀN

SUPER SALES
Agencies Limited

Regd. Office: No. 695, Avanashi Road, Coimbatore-641 018.

Where Lakshmi goes, prosperity follows.

CORPORATE VOICE IS SSA 289A

modernisation will lift the performance of the company by several notches. The saving in costs will amount to Rs 200 per tonne. On the existing capacity of eight lakh tonnes of the Sankarnagar unit, the savings will be a massive Rs 16 crores per year.

An IAS officer, Rajaraman will be returning to his parent Tamil Nadu cadre after Srinivasan takes over. He was to have finished his term on 13 March but was asked by the institutions to continue till the new management entered the picture. He says that the labour force has already been slimmed down from 6,500 to 5,500 over the past three years by adopting the twin strategy of offering golden handshakes and freezing fresh recruitment, particularly at the level of unskilled and semiskilled labour. This process will naturally have to continue under the new management which, observers say, will have to axe another 1,000 workers over the next three to four years.

Rajaraman says that "the cement industry as a whole will have a difficult time over the next two years unless the export drive being planned by the Cement Manufacturers Association is successful." He adds that export prospects are "fairly bright" and feels that if two million tonnes can be exported in 1989-90, the industry can breathe comfortably.

According to CMA estimates, demand in 1989-90 can at best be 45.8 million tonnes and at worst 42.9 million tonnes. The government has set the industry a production target of 49 million tonnes, which means a surplus of at least 3 million tonnes.

India Cements, claims Rajaraman, is "ideally placed" for exports to Sri Lanka as the company's Sankarnagar factory is in the deep-south of Tamil Nadu.

But he admits that there are problems in the immediate future for the company because of the steep fall in prices in the past six months and sharp increases in costs. For instance, the price of cement in Madras is about Rs 62 per bag, against Rs 72 six months ago.

Rajaraman points out that cement is price inelastic, and a fall will not necessarily lead to a spurt in consumption. Further, there will be stiff marketing competition from units in Andhra Pradesh, which has a huge surplus. Installed capacity in Andhra Pradesh is 10 million tonnes, but internal demand is only 5 million tonnes.

Srinivasan and his team will have their their work cut out for them if they want to cement a more profitable future.

■ *Durga Vijayaraghavan*



SANKAR PLAYED A MAJOR ROLE IN THE COMEBACK

India Cements is ideally placed to export to Sri Lanka by virtue of the location of its factory in the deep-south of Tamil Nadu

TODAY SUPER SALES STANDS FOR A SUPER INVESTMENT OPPORTUNITY...

Super Sales Agencies are making a public issue of 9,00,000 Equity Shares of Rs. 10/- each for cash at a premium of Rs. 10/- per share.
SUPER SALES – LAKSHMI VARDAAN

And now you too can share super returns, super growth and super performance. Super Sales offers you a premium opportunity to share its spiralling growth.

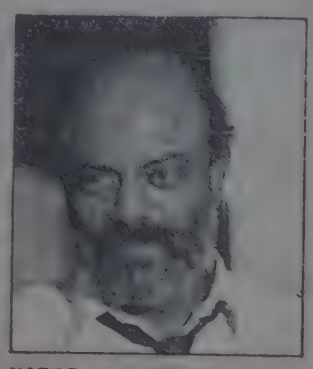
MANAGERS TO THE ISSUE
Grindlays Bank
ANZ
Member ANZ Group
Merchant Banking Division
Bangalore

A premium issue

LAKSHMI VAR DAAN
SUPER SALES
Agencies Limited
Regd. Office: No. 685, Avanashi Road
Coimbatore 641 018

Where Lakshmi goes, prosperity follows.

IDM PROMOTERS CALL IT QUITS



NADAR HAS REAPED A WINDFALL OF SKILLED PERSONNEL

In a silent coup, computer giant HCL has consolidated its No. 1 positon by taking over IDM.

It had all the characteristics of a typical Shiv Nadar move: swift, quiet and without fuss. In a development that has left the whole computer industry stunned, HCL Ltd. along with the Bombay-based Mittal group have acquired the controlling shares of International Data Management (IDM) Ltd.

The ball was set rolling in January this year when the Chhabrias acquired 4% of the shares from the market. Since then the company has been on many a raider's shopping list. Over a month ago, the Mittals acquired a 7% stake from the family members of one of the founder directors of IDM, O.P. Oberoi, after he passed away. The Mittals later increased their stake to about 15% through market purchases. It was around this time that HCL seriously started eyeing IDM. Says a senior HCL manager, "Interestingly, the actual situation was that both of us (Mittals and HCL) found ourselves shopping together in the marketplace."

"That was when we realised that wolves were prowling near our door," says O.P. Mehra, IDM promoter and former managing director. While Mehra claims he was none too keen on selling out, he could read the writing on the wall. Besides, IDM had been faring none too well under his management.

In some ways, the choice of HCL for a sell-out was obvious. "We preferred someone who was in the computer business already," says Mehra. The result: all the six promoter-directors sold their combined 28% stake to HCL and subsequently resigned from the board.

HCL and the Mittals are now firmly in saddle. According to an understanding they have reached, the operational management will remain with HCL. In fact, the reconstituted board, which took charge from 29 March 1989, has three HCL managers: Ajay Chaudhary, T.C. Prabhu and Ashok Malhotra. Malhotra, who successfully promoted Indian Communications Network Ltd. and Hindustan Telecommunications Ltd., is the new chief executive.

PROBLEMS BUILD UP

The problems at IDM had been building up over the past two years. In 1988, an insipid performance marked by a negative growth rate (-2%) kept IDM stuck at the number 11 position in the industry for the third year in succession. During 1987-88, revenue earnings were down to Rs 13.32 crores (annualised) from Rs 13.51 crores in 1986-87. And during the 17 months ended 30 September 1988, profit after tax was down to Rs 4.25 lakhs from Rs 89.23 lakhs in the previous period.

Over the years, the company has failed to adapt itself to the fast changing competitive environment. The company's product line was definitely out of tune with market needs. Says the managing director of a rival information technology outfit: "The company found itself in the unenviable position of being in areas which were being phased out in the computer industry."

IDM, which has been traditionally strong in data processing, finds itself in an area which no longer generates revenue. The stationery market was fast becoming specialised, but IDM did not significantly change its generalised approach in this segment. And in the mini-range, its s/2350 showpiece had a bad run with sales coming down to Rs 3.7 crores in 1988 from Rs 5.55 crores the previous year.

IDM did stumble along somehow. In 1986, it became a public limited company and now has a market worth of Rs 21 crores with physical assets of Rs 4.18 crores and a paid-up capital of Rs 1.76 crores. So, given proper direction, it could go places.

GRANDER DESIGN

For HCL, the country's largest computer company(1987-88 computer-related turnover: Rs 60.24 crores), the takeover could well be part of a grander design. Though the actual takeover was swift, a general move in such a direction was definitely not unplanned. In HCL's drive for expansion, one of the major hurdles faced has been in getting the right personnel. In the next two years, HCL expects to grow to at least four times its current size. And way back last year, Mahendra Pratap, director, had asked: "Where will the personnel come from?"

IDM is one answer. Apart from adding to group turnover, the takeover brings HCL thus the services of 400 skilled personnel. Two birds with one stone. Says HCL vice-chairman Arjun Malhotra, "Developing IDM is one of the components of our growth strategy."

The acquisition has come at the right time too. There have been indications of late that the growth of HCL has been constrained in many ways by a shortage of trained personnel. One result of this disquieting scenario was HCL's decision to hawk on a management contract basis its instrumentation division to Hindustan Office Products Pvt. Ltd. (Hopes) recently (See offstage, BW 29 March-11 April, p.112). Through IDM, Nadar has, at

one stroke, acquired the services of a highly skilled research and development team trained in the traditional IBM mould. (IDM was started by ex-IBM personnel after Big Blue called it quits in the seventies.) For HCL, which has been strong in research and development, this vast pool of top management personnel will prove to be an invaluable asset.

CAD AND CAM SYSTEMS

Apart from the personnel factor, an attraction equally important to HCL is IDM's collaboration with Prime Computers of the US for Cad/Cam product distribution. Identified as one of the fastest growing segments of the computer industry, HCL too had recognised the growing market potential of the Cad/Cam (computer-aided design and computer-aided manufacture). In fact there was special focus on these two areas in HCL's business projections this year. The company already has three tieups with reputed foreign Cad/Cam manufacturers. These include distribution arrangements for the products of Autodesk, Racal-Redac and Mentor Graphics, all of the US. However, this area was proving to be highly competitive with arch-rival Wipro Information Technology Ltd. also having tied up with both Racal-Redac and Autodesk for the same products.

And this is where IDM is sure to shore up HCL's presence. IDM had pulled off a coup of sorts nearly two years back by tying up with Prime Computers of the US for the marketing of Cad/Cam hardware and software. Prime was ranked 337 in the *Fortune 500* list of 1987 with a turnover of $860 million. It was the 12th largest computer company in the US. Early last year, Prime Computers took over Computervision Corporation of the US, which specialises in Cad/Cam software. Tata Unisys, which had the distribution rights of Computervision software in India, lost it to IDM after the merger abroad. Now HCL is in the enviable position of distributing a wide range of products, virtually making it king in this high-growth segment of the industry.

HCL vice-chairman Arjun Malhotra apparently thinks so, "The product range of IDM has been dovetailed into the growth plans of HCL," he says. He obviously had in mind the Prime Computers and Cad/Cam factors. Another outcome of the association with Prime could be the manufacture of the latter's range of mainframes in India. Currently, though HCL has an impressive product range, mainframes are a conspicuous absence.

HCL should also be able to cash in on IDM's strong presence in the western region. (IDM installed base of hardware in this area contributed 67% of its 1987-88 turnover.) Marketing experts believe that the western region has the highest potential for computer sales with its high level of industrialisation. HCL, which already has an all-India character, can hope to build up further on its base in the west, which last year accounted for 24% of sales. It is a figure which can definitely be upped.

With so much going for the tieup, it is understandable that it has brought reluctant praise from the industry. "It is a clever and strategic move," says Arun Kumar Mody, regional manager of Hinditron Computers Pvt. Ltd. But before the wheels actually mesh, a lot of tough decisions will have to be taken.

Urgent on the agenda is a thorough shakeup at IDM. The marketing setup, whatever there is of it, has to be revamped. Its support services, which have come in for fire from all over, also need to be restructured. Nevertheless, Arjun Malhotra declares, "There will be no revamping of IDM's organisation." But it is doubtful whether the market will allow him to keep his word. Says a marketing manager at HCL, "We at HCL are at least three generations ahead in marketing and organising services. It needs to be spruced up at IDM."

SLOW REORGANISATION

All these impending changes will definitely bring their share of problems. The top management at HCL is quite aware of the different cultural ethos and environment at IDM. Says Arjun Malhotra: "It is obviously in view of this that HCL is going slow on any major reorganisation plans." A certain amount of opposition to changes at IDM is only to be expected.

Currently, things are still in a fluid state at IDM. A study team is just being set up to draw up long-term plans for the company. The phasing out of a couple of outdated products and exit from unproductive areas of operation are definitely on the cards. Says a marketing manager, "The synergy designed would be that one plus one equals two-and-a-half."

Ambitious? But, then, it was ambition coupled with the ability to take risks that have been the key ingredients of HCL's success. And HCL chairman Shiv Nadar has demonstrated this again amply with the current takeover. And he is setting his sights higher. Says Arjun Malhotra, "Our objective now is for HCL and IDM to be the top two computer companies. Whether HCL will remain No.1 or whether IDM will is a moot point." That's thinking big indeed.

■ *George Skaria*
With reports from Manu Rai Choudhari

Our objective now is for HCL and IDM to be the top two computer companies.

Arjun Malhotra
vice-chairman HCL

MEHRA PREFERRED TO SELL TO AN OLD HAND IN THE BUSINESS



Attractive Opportunity for L&T Shareholders

Issue of 60,75,000 Fully Convertible Rights Debentures of Rs. 125 each

First conversion:

one equity share of Rs. 10 at a premium of Rs. 50, 6 months from date of allotment

Second conversion:

one equity share of Rs. 10 at a premium of Rs. 55, 12 months from date of allotment

Issue closes on 19th April 1989

The Company intends to retain oversubscription up to 15 per cent.

Managers to the Issue:
J. M. Financial & Investment
Consultancy Services Ltd. Bombay

LARSEN & TOUBRO LIMITED

BALANCE-SHEET HANKY-PANKY

Public sector banks in the country will soon finalise their working results for the 15-month period ending 31 March 1989. Thereafter, as required by law, they will publish their balance-sheets by inserting advertisements in newspapers.

As in the past, all banks are likely to put up impressive claims through their financial statements. These will probably include a faster growth in deposit mobilisation, better utilisation of funds in the form of increased credit-deposit ratio, more deployment of credit to the weaker sections of society, fulfilment or near-fulfilment of goals set, and to top it all, generation of increased profits.

The last of these claims — increased profits — must indeed be intriguing to many who have been watching the goings on in the banking industry in recent times. Banks, as a rule, have been voicing concern time and again about the declining profitability of the industry. In fact, this has often been listed as a major reason for banks not being in a position to reduce lending rates.

The "spread", calculated as a difference between interest-related income and interest-related expenditure, has been narrowing in recent years, thanks to the declining yield on advances and the increasing cost of funds. Establishment costs are mounting, both due to the increased requirements of staff for the large number of rural branches being opened and due to the increase in dearness allowance arising out of inflation. Other operational costs are also growing, including postal and telephone tariffs and travel costs.



The balance-sheets of banks, though trumpeting good working, carry no weight with the RBI, bank managements and even bank unions. Why should the public alone be hoodwinked?

TWIN IMPACT

The problems of overdues in the rural sector and sickness in the industrial sector must have had a twin impact on profits. On the one hand, increased amounts are getting locked up in sick accounts that yield no return by way of interest; on the other, banks are obliged to make larger provisions for loan losses or bad debts.

Banks which were earlier circulating success stories of massive expansion are now ruminating over the same. Nationalisation and the new social directions to banking have brought a sea change in their goals, business character and mix. But reporting practices and standards, which have remained static, fail to capture in adequate measure the vision, ethos and impact of the new social obligations.

In the first two decades after nationalisation, banks reached a plateau in branch expansion and social lending. But it has been a downhill journey in areas like profitability, organisational strength, customer service and supervisory control. Stray success stories have added nothing to the overall picture.

Indian banks, especially in the public sector, are known to inflate deposits and profits to paint a better picture. In contrast, banks in the West, bedevilled by huge loan losses, are reported to be deflating their assets to show a better capital-assets ratio.

For centuries, banks the world over have not been disclosing their real intrinsic worth. They are secretive not only about their clients but also about themselves.

Mounting loan losses, non-performing assets, unreconciled accounts and increasing frauds may have been making headlines, but they are dismissed in footnotes in banks' balance-sheets.

It is often argued on behalf of banks that disclosure of loan losses or non-performing assets would shake public confidence and may trigger a run on them. Hence, the argument goes, banks should be (and they are) exempt from such detailed disclosures. But such figures for the banking system as a whole are reeled out to the public by various agencies, including the government. Does this not shake public confidence? Has one to conclude that it does not matter if the people lose faith in the banking system but they should not lose faith in any particular bank? Does this make sense? If a prospective depositor loses faith in one bank, he can go to another bank. But if faith in the banking system is lost where else can one go?

UNRELIABLE FIGURES

Unlike in many countries, supervisory and regulatory authorities like the Reserve Bank and the finance ministry do not appear to rely much on published financial accounts for the purpose of control, regulation and evaluation of performance. They rely even less upon such statistics for evolving policies. The authorities have other means of collecting information. Even bank managements do not rely on published accounts for decision-making. The unions, too, do not appear to rely on balance-sheets for wage negotiations. They know better than others that balance-sheets are not drawn up to publicise the real state of affairs. Must this pointless hoodwinking continue?

■ *K.V. Rao*

The author is on the faculty of the SBI staff training centre

HONOUR FLOOR PRICE: UTI

The Unit Trust of India (UTI) recently issued a directive asking brokers not to sell units below the repurchase price (Rs 14.05 per unit in March).

According to reports, the UTI directive was in response to a sharp fall in unit prices in the secondary markets. Apparently, there have been 'distress sales ' of units recently leading to a fall in their prices.

The 'distressed sellers'? The banks, reports suggest. There has been a heavy rush on withdrawals recently and to generate the necessary finance, banks have had to sell their most liquid assets — units. Normally, banks sell units to one another to generate funds in such situations. However, since all banks have accepted a common accounting year in 1989, they have had to look for other buyers.

The sudden unloading of units on the secondary markets made prices fall to Rs 13.98, below the floor price set by UTI for March. The UTI has countered by banning sales below the floor price. Brokers, clearly are unhappy since they find it difficult to locate buyers at this "artificial" price.

USAID LOAN FOR HOUSING

The US Agency for International Development (USAid) has okayed a loan of $50 million (Rs 75 crores) to the National Housing Bank (NHB) which will permit the construction of about 25,000 houses.

The money will be funnelled through housing finance companies to provide loans to low income families across the country. Households which earn less than the urban median income will be eligible for such loans.

The USAid approval marks the extension of a housing assistance programme that commenced in 1981.

HOME LOAN SCHEME SOON

Details of the new home loan account scheme have now been announced. The scheme, to be operated by the National Housing Bank (NHB), will be launched from 1 July.

Subscribers to the scheme will have to save regularly with the bank for at least five years. At the end of this period, they will be entitled to a housing loan as a multiple of the money they have saved, in addition to being allowed to withdraw their accu' ited savings. The interest rate on loans upto Rs 50,000 will be half-a-percentage point higher than the rate of interest on deposits.

The minimum contribution will be Rs 30 per month, which can be deposited in quarterly, half-yearly or annual instalments. These savings will earn interest at an annual rate of 10%.

After the scheme comes into effect in July, there should be a marked increase in the availability of housing finance. As a result, effective demand for houses will rise. But if the government truly wants to come to grips with the housing problem, it should also unclog the supply side by amending outdated laws. When will it realise such home truths?

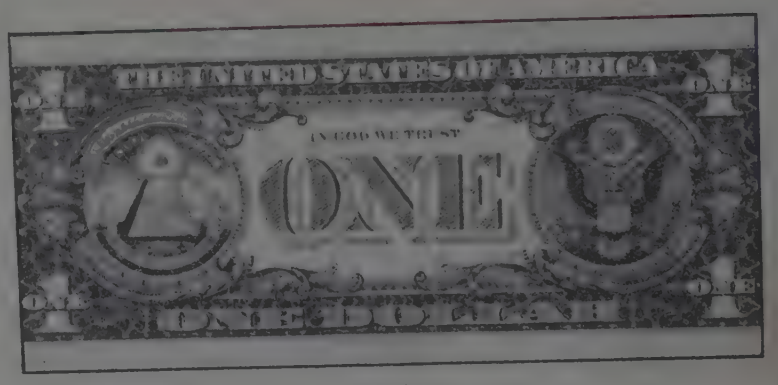
GLOBAL BORROWINGS AT NEW PEAK

With avenues for concessional finance beginning to close down, India has had to increasingly take recourse to commercial borrowings abroad. Such borrowings, during 1988, totalled more than $2.47 billion (Rs 3,705 crores),. according to figures recently released by the Organisation for Economic Cooperation and Development (OECD). This peak came on the heels of the high of $2.36 billion in 1987.

The borrowings include: medium and long-term bank loans ($1.50 billion); international bond issues ($430.4 million); traditional foreign issues ($1,309.2 million) and medium and long-term facilities ($200 million). OECD statistics show that India was the fourth largest borrower after Brazil, China and Mexico.

In the first four years of the seventh plan (1985-88), India raised commercial loans of a whopping $7.4 billion (Rs 10,500 crores). And given the prevailing policy environment, this trend seems likely to continue.

FCNR INTEREST RATES HIKED



The Reserve Bank of India has raised the interest rates for US dollar and deutsche mark deposits under the foreign currency non-resident (FCNR) account scheme.

In the case of US dollar deposits, the interest rate has been raised by 0.25% for all categories. However, for deposits denominated in deutsche marks, the increase in interest rate has been limited to deposits between six months and two years. There is no change in the interest payable on pound sterling or yen deposits.

The new interest rates came into effect from 14 March, and in the short-term should prompt more NRIs to deposit foreign currency into FCNR accounts. At a time when foreign exchange reserves are barely enough to pay for a few months' imports, this should bring some respite. But as economists repeatedly warn, such deposits represent short-term debt that will need to be serviced in the near future. They just postpone the problem instead of solving it.



ON MARCH 1, BRITISH AIRWAYS RELAUNCHED FIRST CLASS.

IN 12 WEEKS, WE CHANGE THE CARPET AGAIN.

And we change it again every twelve weeks thereafter.
Not that it isn't superb wool carpet. It's simply that we understand and respect the needs and expectations of you, our First Class passenger.
So we have designed our new service totally around your comforts, in every detail, in every area, on the ground as well as in the air.
Now, wouldn't it be a shame to spoil all that with a carpet that's thirteen weeks old?

FIRST
class

BRITISH AIRWAYS
The world's favourite airline.

NOW
GET TWO
WORLD LEADERS
TO WORK
IN YOUR FACTORY

Dunlop India in collaboration with Mitsuboshi of Japan presents

NEW

DUNLOP

DYNAMITZ

POLYESTER CORD VEE BELT



The signature of leadership

New Dunlop Dynamitz Vee Belt is engineered by Dunlop India with state-of-the-art technology from Mitsuboshi of Japan. World-renowned for power transmission technology.

Torture-tested for matchless performance

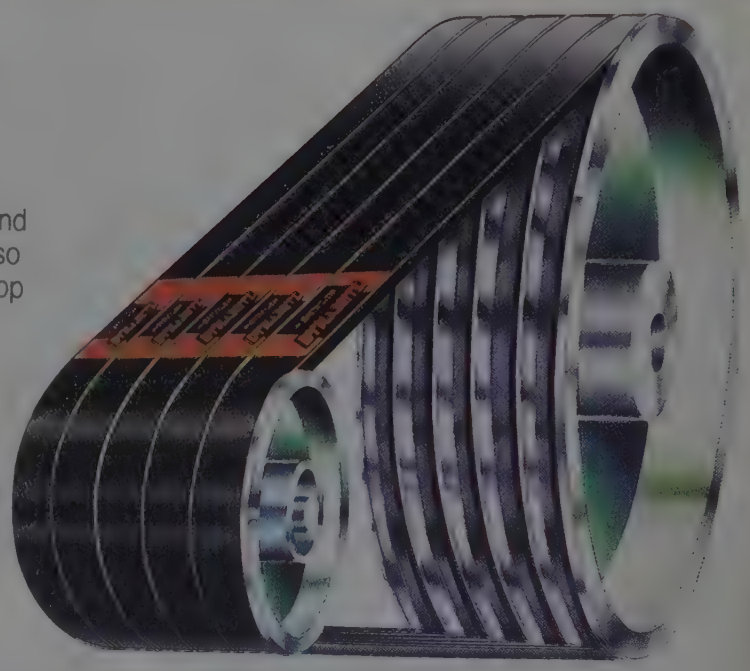
Dunlop Dynamitz has been subjected to extensive field trials as well as rigorous tests under simulated operating conditions in Japan and in Dunlop's most sophisticated Vee Belt Testing Centre, the only one of its kind in the country.

Setting a new pace for the future

Dunlop has set the pace in belting development in India. Equipped with the latest plant and machinery from Japan, it will also storm Indian markets with Dunlop Dynamitz Cut Edge Belts for automotive and specific industrial applications.

The new power pact

With the coming together of the best in the business, Dunlop Dynamitz represents the new-generation Vee Belts that spell more power for your money.



DIL DVB-1

Dunlop is Dunlop. Always ahead.

MORE POWER FOR YOUR MONEY



POLLMEIER SEES NO COMPETITION

A TAPED FORAY

K.K. Nohria, president and managing director of Crompton Greaves, has set himself a target. "We want to reach a turnover of Rs 2,000 crores by 2000 AD," he says. For a company which chalked up sales of Rs 343 crores in the year ended June 1988, that's big thinking. But Crompton Greaves seems to be going about it the right way.

The latest manifestation of this drive is CG-PPI Adhesive Products Ltd. — a joint venture between Crompton Greaves and PPI Adhesive Products Ltd. of Ireland. The new outfit, coming up at Goa, will manufacture high-tech adhesive tapes for use in motors, transformers, TV tubes, traction equipment for locomotives, etc.

"There is no industry which will not find the need for these tapes," says Heinz Pollmeier, chairman and managing director of the Irish company. "We are sure a growing market awaits our product."

Pollmeier expects "pretty good going" for the project given the fact that there is no competition worth its salt. The unit is expected to go into production by December this year and turnover for the first year has been targeted at Rs 3 crores. The initial capacity will be 1 million sq m per year but it will be hiked when demand picks up.

Exports, too. Domestic demand is only part of the new company's focus; there will be a thrust on the export front too. According to Pollmeier, 35% of the production is slated for export. "We will help in getting export orders," he says.

The Irish company will be helping in other ways too. It will be offering the knowhow and advising in the selection of machinery. Besides, it will take up 26% of the equity. The other partners in the Rs 2.5 crore project are Crompton Greaves (34%) and R.G. Keshwani of Indian Engineering Co. (formerly the Irish company's agents in India), who will hold 8%. "The rest will probably be offered to the public," says Keshwani, though he hastens to add that the details are yet to be worked out.

For Crompton Greaves a Rs 2.5 crore project may not mean much, but it is in keeping with its basic strategy of expansion through associate concerns. Among the recent ones are: Punjab Power Generating Machines Ltd., Northern Digital Exchanges Ltd., Goa Electricals & Fans and Goa Telematics. CG-PPI will be its third outfit in Goa.

Besides, when one is aiming at Rs 2,000 crores every little bit adds up. The contribution by way of dividends and marketing margins (Crompton Greaves will be selling the adhesive tapes) may look chickenfeed in comparison, but some chickens do grow into big fat hens.

BIG BLUE BECKONS

Question: which company sold the maximum amount of computer hardware in India in 1988?

Answer: Strangely enough it was not one of the local big boys Wipro or HCL. The clear leader with some $50 million in sales was a company one thought had been banished from the country — IBM. The US giant, popularly known as Big Blue, sold seven of its latest 3090 mainframes and one IBM-4381 to customers such as the Railways, Oil and Natural Gas Commission, the Kirloskars and the Reserve Bank.

Seeking a partner. Now IBM seems to have had enough of growing in anonymity — so far, the local outfits flogging IBM machines have been lesser lights such as CMS Computers. Big Blue is all set to tie up with a major and the favourite by current form is Tata Consultancy Services (TCS).

"With the kind of relationship TCS has with IBM, we are obviously the preferred partners," says Pheroz Vandrevala, TCS business development manager.

The company's courtship with IBM started in Febuary 1988 when TCS set up an exclusive 'IBM shop' in Madras to undertake software development for the US multinational. This outfit is not part of the TCS branch office in Madras and is equipped with the latest IBM machines.

The IBM shop has given TCS a taste of what a tieup can bring: it contributed nearly 40% of the company's 1988 turnover of Rs 40 crores. The centre has been undertaking major projects for Big Blue's key customers such as Continental Insurance, American Express and Fireman's Fund. Besides, it has developed a software package called Case-pack which is claimed to be the only

VANDREVALA IS CONFIDENT OF A MARRIAGE



computer-aided software engineering (Case) package for IBM machines so far.

Big Blue is obviously impressed. TCS can see the benefits only too clearly. A marriage should shortly be announced.

LARCOM'S SEARCH FOR GROWTH

As the first line of defence against Aids (acquired immune deficiency syndrome) and the population explosion, condoms should be good business. They are. Larcom (Protectives) Ltd. (LPL), a low-key member of the Rs 160 crore TTK group, has just declared a maiden interim dividend of 15% on expectations of a pre-tax profit of Rs 1.55 crores for the 15 months ended 31 March 1989.

Nevertheless, Larcom executives aren't cock-a-hoop. And there's little talk of expansion and growth. The reason: the government has not indicated any strong preference for condoms as the prime contraceptive device for family planning. "The government's plan is to continue purchasing condoms at the current level for another two years," says P.N. Swaminathan, Larcom's executive director. Adds group managing director T.T. Jagannathan: "The only hurdle in Larcom's upward trek is the possible shift in the government's accent in promoting other contraceptive aids."

Still, for the moment, Larcom is sitting pretty. Putting behind memories of four years of labour strife at Aurangabad, a notified backward area in Maharashtra, the company's plant is operating at 120% of capacity and the government is buying all it can produce. "Currently, our entire production of condoms, about 20 million a year, is unbranded and contracted to government departments," discloses Swaminathan. These products ultimately surface in the market as the low-priced Nirodh.

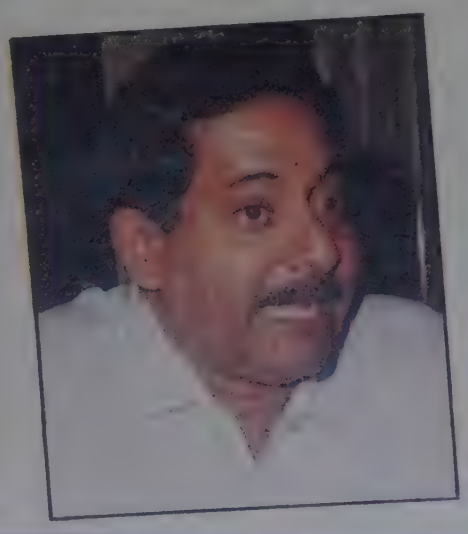
Competitors. Having the government as a confirmed buyer helps, but Larcom draws additional strength from the fact that one of its two competitors is group company London Rubber Co. (India) Ltd. (The other rival is the public sector Hindustan Latex Ltd.) "Having a sister company, with proven technology from London Rubber Co., UK, in the same business has certainly benefited our production methods," says Swaminathan.

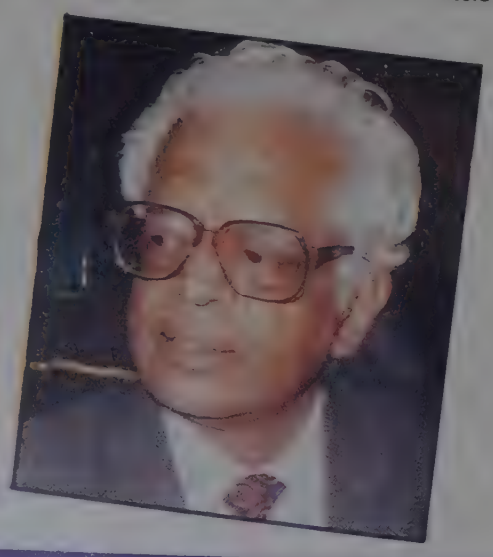
Larcom, which currently has a 20% share of the national condom market, is hopeful of raising it further to 25%. "Together with London Rubber Co. (India) Ltd., our group could account for half the condoms market," says Jagannathan.

Volumes are crucial to the condoms business, especially in the context of the elaborate packaging needs of the product and thin margins. The Aids scare in the West may offer prospects for exports in the future, but Jagannathan is not overly optimistic. "The major buyer nations are awash with (condoms) capacity," he observes, pointing out that sales growth worldwide has been a sluggish 5% in 1988.

The export market, however, is not being given up as a lost cause. In a bid to ensure growth, Larcom has drawn up plans to bring in the latest latex-dipped technology for condom manufacture. Also on the cards are proposals to diversify into consumer products. Jagannathan is cagey about details, "We need not necessarily be in the condom business," he concludes enigmatically.

JAGANNATHAN (L) & SWAMINATHAN ARE THINKING DIVERSIFICATION, NOT EXPANSION.



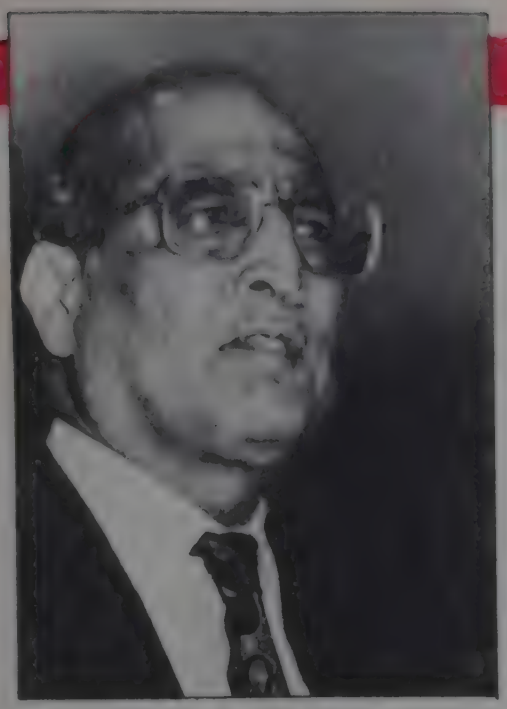


PERESTROIKA IN INDO-SOVIET TRADE

The formal inauguration of the Calcutta-headquartered Indo-Soviet Chamber of Commerce on 21 March marks the beginning of a new era in private sector participation in Indo-Soviet trade. One welcome fallout of President Gorbachev's perestroika is an enlarged role assigned to the private business sector — an opportunity which Indian businessmen have promptly capitalised upon.

A voluntary, non-political and non-profit organisation affiliated to the Indian Chamber of Commerce, Calcutta, the new chamber aims to strengthen bilateral rupee trade, promote the concept of joint ventures and serve as a vital link in the process of transfer of technology between India and the USSR. Notes industrialist S.S. Kanoria, its first president: "Economic liberalisation in India and economic reforms in the Soviet Union have added new dimensions to mutual business prospects."

Two-way trade. Going by the past track record, cause for optimism is natural. Two-way trade will catapult from Rs 3,682 crores in 1985-86 to an estimated Rs 7,000 crores in 1989. Several Indian goods have developed sizable markets for themselves in Russia: for instance, the latter



KANORIA CHAMPIONS INDO-SOVIET ENTERPRISE

obtains from India 98% of its black pepper, 60% of its coffee, 50% of its leather goods and 25% of its cotton fabrics, to name just a few items.

From the Indian side too, a substantial step-up in imports has been proposed in the 1989-90 trade plan. The major items include: aircraft on lease, textile machinery, mining equipment, woodpulp, timber, coking coal and metal scrap. In any case, India gets 30% of its newsprint, 20% each of its zinc and crude oil from the Soviet Union.

Kanoria says the two-way trade turnover will go up to Rs 10,000 crores by 1992. "But to achieve this target, the trade pattern between the two countries will have to undergo qualitative changes. There will have to be an added emphasis on value-added items both for imports and exports. An increase in service sector activities as well as in joint ventures is also the need of the day," he adds.

New opportunities for the private sector include the setting up of hotels in Russia and joint ventures in the fields of electronics, instrumentation and pharmaceuticals, to name a few. Reciprocally, the USSR is slated to make "major contributions" in India's nascent food processing sector. Incidentally, the Soviet Union has started permitting local enterprises, associations and producer cooperatives to maintain direct contact with foreign partners. This will open up new possibilities for Indian enterprises to expand their economic relations with the USSR, especially in the free trade zones which are being established in the eastern and Baltic republics, and other regions. For good measure, a Soviet-Indian agreement on avoiding double taxation was signed last November.

"No country has helped India in its economic development efforts as decisively as the USSR has," says Kanoria. The stage has now been set for a maturing of relationships.

JUST FOR PRACTICE

It is a rather odd reason for making a public issue — a dress rehearsal. But for Kanoria Chemicals & Industries Ltd. (KCIL) it makes eminent sense to go in for a small Rs 3 crore issue for Kanoria Petroproducts Ltd. before it flags off a bigger Rs 25 crore issue for group company Polypropylene India Ltd. some time later. "We want to learn the ropes," says KCIL joint managing director R.V. Kanoria. "For Kanoria Petroproducts, we could easily have found the funds ourselves."

But Kanoria Petroproducts remains, nevertheless, a manifestation of KCIL's growth urge. In recent times, it has been adding rather rapidly to its stable. In 1979, it acquired a jute mill in West Bengal which is now run by a fully-owned subsidiary, Aketa Ltd. The company now has a Rs 36 crore turnover and "despite the sorry state the jute industry is in, Aketa is doing quite well," explains Kanoria.

Again, in 1982, KCIL acquired a textile division with the takeover of a sick unit in Ahmedabad. But, though the mill has been modernised with installation of state-of-the-art machinery, "it is still not making enough money."

Expansion in chemicals. Besides, KCIL has also been revving up on its traditional chemical lines. In its Ankleshwar (Gujarat) division, it has started the production of acetaldehyde and will soon commence the manufacture of formaldehyde. Its main division at Renukoot (UP), which makes benzene hexachloride and stable bleaching powder, has also expanded apace. "In some areas we are even in a position to export knowhow," says Kanoria.

The new ventures are the icing on the cake. Kanoria Petroproducts will make nylon monomer castings (in collaboration with Nylacast Systems of the UK) and technical monofilaments (with knowhow from Uniplas Corporation of Japan). Both these foreign companies will have an equity stake in the venture.

Polypropylene India, the big brother of the two, will make polypropylene granules in collaboration with Solvay of Belgium. The Rs 80 crore project will be commissioned in 1991. The unit is the only one in the private sector to get a letter of intent for the manufacture of such granules. Feedstock will be provided by the Mathura refinery.

KCIL, which had a turnover of Rs 57.52 crores in the year ended 30 June 1988, seems headed for the big time. "By 1991, we expect the turnover of KCIL and these group companies to reach Rs 140 crores," says Kanoria. With petroproducts being a growth sector, the future could be brighter still.

KANORIA IS LEARNING THE ROPES



STEELING INTO PETROCHEM

It started off as a foray into steel in the garb of a mini-steel unit. Somewhere along the way, Bhansali Steels Ltd., set up in 1984, metamorphosed into Bhansali Engineering Polymers Ltd. (BEPL) and is now proceeding apace with its project to manufacture engineering plastics.

"It is a sunrise industry," says president Kishor Kamdar. "There might be temporary delays, it might need some time for demand to pick up, but you cannot turn back the clock."

BEPL has set up shop in Satnoor in Madhya Pradesh to manufacture 6,000 tonnes per annum (tpa) of acrylonitrile butadiene styrene (ABS) resin, an item which finds applications in the manufacture of refrigerator linings, telephone instruments, TV panels etc. Demand, according to government projections, is expected to touch 25,000 tonnes by 1994. Against this, current capacity is 7,400 tonnes. (The three major units already in production — Polychem, Gujarat Binil and ABS Plastics — are, however, collectively hiking capacity to 21,000 tonnes.)

Edge over rivals. BEPL claims an edge over its rivals because it is backed by Japanese knowhow; the other outfits use indigenous technology. "We will be able to offer both variety and quality," says Kamdar. This apart, the company has roped in National Organic Chemical Industries Ltd. (Nocil) to handle the marketing end. "So that should pose no problem," explains Kamdar.

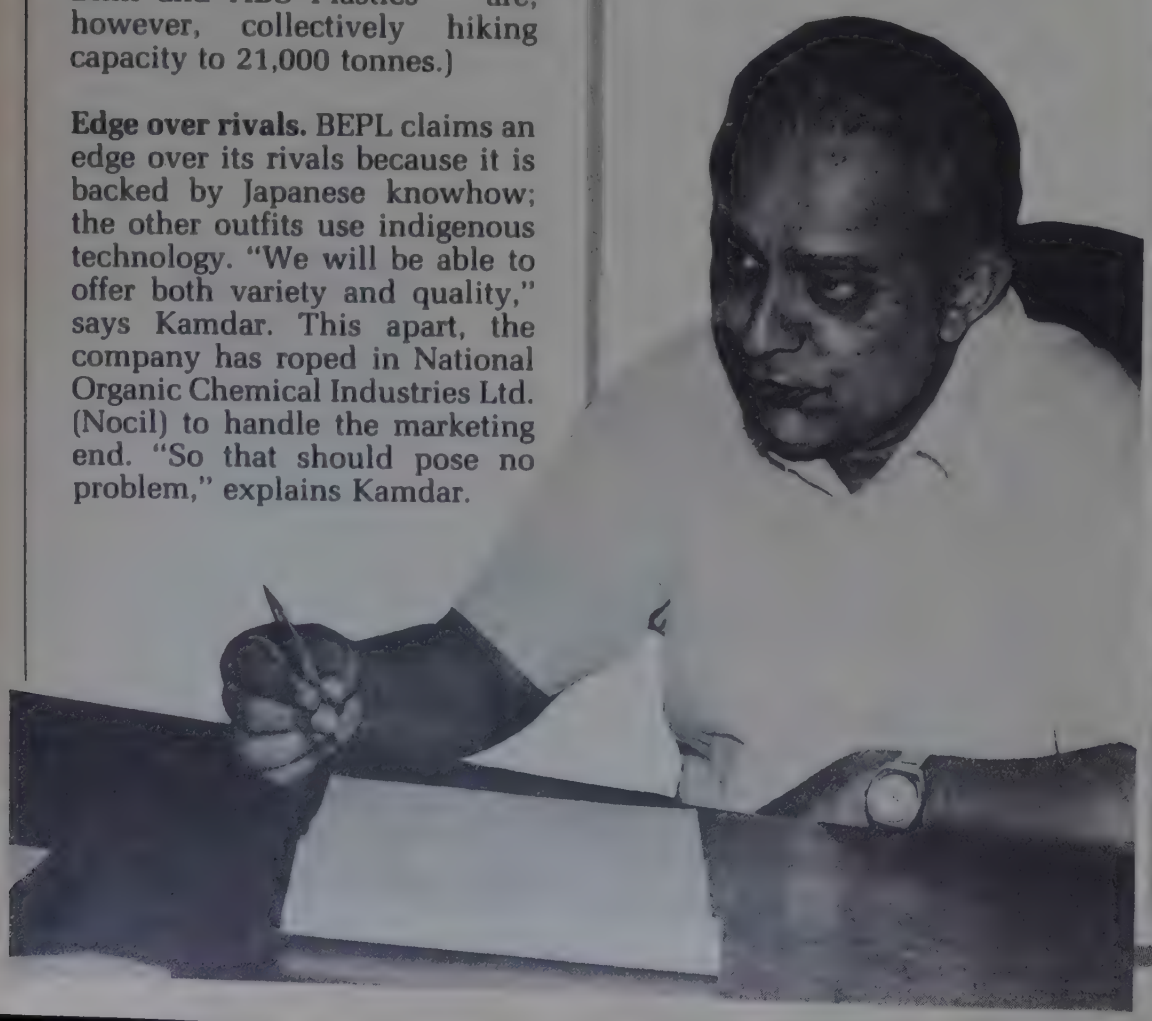
With so much fresh capacity coming up and another 23,000 tonnes proposed by five other companies, the going might get slightly tough. "We will have to do some selling," agrees Kamdar. The other projects are, however, still to take off and some may not see the light of day.

The Rs 25 crore BEPL project is more concrete: it is expected to go on stream by the end of this year. Construction work should be complete by July but it may take a few months to iron out possible snags.

There could be another snag: success will depend on how far the company is able to convince consumers to go in for a more expensive material (ABS plastics cost about Rs 50 per kg against Rs 35 for alternatives).

But Kamdar is optimistic. "Less material need be used, so the cost would work out to practically the same," he says. "Besides, ABS looks better, it is more impact-resistant and can be given a metallic finish." With the other companies in the business now in sprightly form, Bhansali may well have snagged a lucrative slot for itself.

KAMDAR WILL NEED A STRONG SALES PITCH



A PLEA FOR EQUALITY

"India is the world's best kept secret." That's the unflattering view of the subcontinent from the New York headquarters of American Express Bank. Espousing this candid opinion last fortnight was Robert F. Smith, Amex Bank's chairman and chief executive officer, who visited India as part of a world tour.

Amex's marginally profitable Indian interest is only peripheral to its multibillion dollar global businesses in credit cards, travellers' cheques, financial services and commercial banking. The disincentives are several. For one, the bank's branch strength in this country remains frozen at three, with no chances of expansion. Rues Smith: "Our discussions with officials in Delhi did not give the slightest indication that the Indian government is enthusiastic about allowing foreign banks to expand their activities here."

Worse still, a discriminatory tax rate of 70% is applicable to Amex's Indian earnings — an aspect which leaves Smith far from amused. "We would like to be treated on par with local banks in this country," he remonstrates.

Complaints. Substantiating the point that if Amex Bank were allowed to expand, Indian business would benefit, Smith describes how during his stopover at Jaipur several diamond exporters complained to him about the insufficiency of foreign exchange services in that city. "If Amex is allowed to open a branch in Jaipur, it can serve both ends of the export business, in India and in the US, equally efficiently," he argues.

Pending the introduction of a friendlier branch licensing policy on the part of the government of India, Amex is planning to expand its merchant banking activities here. Among the entry areas being assessed are portfolio management, the floating of



SMITH'S GROUSES ARE NO SECRET

mortgage-backed securities and foreign currency loan management.

A joint venture non-banking finance company along with the Tatas is also on the cards. Christened Tata Industrial Finance Co. (Tifco), this new company will have a paid-up capital of Rs 5 crores, 40% of which will be shared equally between Amex and the Tatas. Both partners are studying a government proposal that 10% be allotted to a financial institution, with the remaining 50% being raised through a public issue.

Predictably, the bureaucracy is labouring over the relevant applications. Notes Smith somewhat acidly: "The bureaucracy in India not only tends to slow down the decision-making process but also breeds corruption."

With a wide, wide world beckoning to him for business, it's hardly surprising if Smith has little time to spare for a country in which his bank earns only 3% of its net profits.

SUPERCHIP FOR COMPUTERS

In November last year, Intel Corporation, the giant Santa Clara (California)-based microprocessor manufacturer, made news when it opened an office in India. And now, the chip maker is back in the limelight. The reason: in late February, a powerful new microprocessor, the i860 was simultaneously released in the US and Indian market. Packing more than a million transistors on a chip, the i860 is capable of allowing desktop computers to perform at rates equal to today's mini-supercomputers at a system cost of less than $10,000.

The i860 is suited for applications that are highly computer-intensive and require interactive display of three-dimensional graphic images. According to Intel's senior vice-president David House, to perform these applications, users currently have three choices:share time on a multi-million dollar supercomputer — if they can gain access to one; share time on a $50,000 mini-supercomputer or use a less powerful but more interactive $100,000 graphics supercomputer. "Introduction of the i860 microprocessor has, however, put supercomputing power in the hands of virtually anyone who can afford a desktop computer," says House.

The i860 chip is manufactured using Intel's CHMOS IV, 1-micron process. According to Sidh Agrawal, manager of Intel's operations in India, Pakistan and the West Indies, production will start from the third quarter of this year. An i860 chip will cost $1,000 in India, but Agrawal says the price will come down 10%-15% by December with volume production. Intel hopes to sell as many as 1,000 chips per year by 1991.

Software backup. Meanwhile, Intel, AT & T, Convergent Technologies, Olivetti, and Prime Computer have joined forces to develop a multiprocessor software prototype based on the Unix operating system for Intel's i860, 386 and 486 microprocessors. The software will be available from Intel in the fourth quarter of this year.

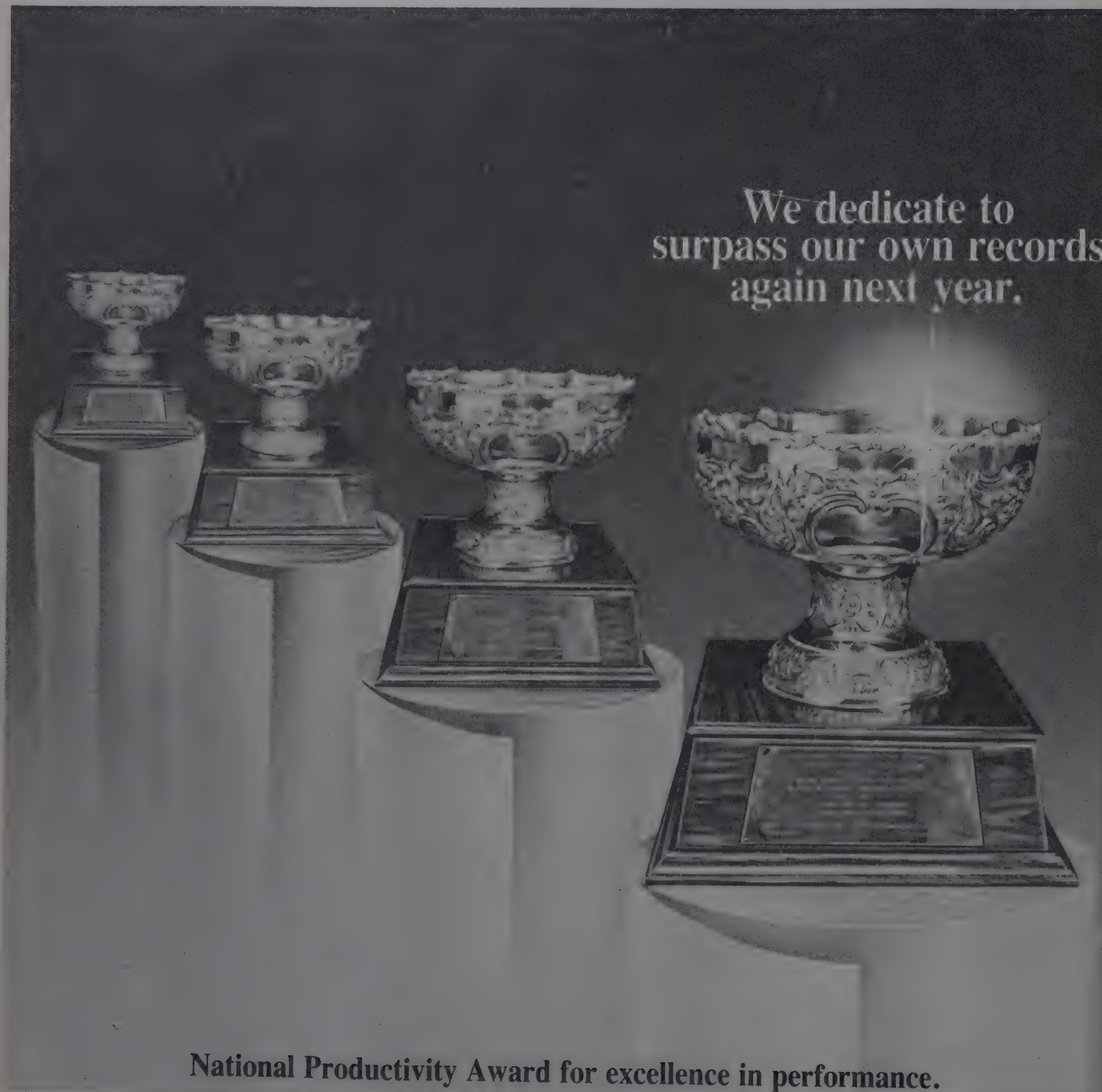
The Intel 486, which may well herald a new age in desktop computing, is still under development. Indications are that it will be ready for release by the middle of this year. Agrawal though does not want to discuss the 486. "Intel's policy is not to talk about the future because new product deliveries are uncertain in this business and we would not like to lose credibility with our customers by making premature statements."

It is believed that with the advent of the 486, more and more computer manufacturers will abandon CPUs (central processing units — the silicon brain in minicomputers and mainframes) and start producing far cheaper mainframe-class systems from clusters of microprocessors. That, however, is some time away. Today it is for the i860 to usher in its own revolution.

(Contributed by P. Swami, Maya Rai Choudhuri, A.H. Ghani, Sujoy Gupta, Ashoke Laha & N. Raghavan.)



THE INTEL i860 SUPERCHIP & AGRAWAL (INSET) OFFERING MORE POWER AT THE DESKTOP



National Productivity Award for excellence in performance.

We have scaled new heights in productivity; through concerted efforts and innovation. And for the fourth successive year, have been awarded the National Productivity Award.

NATH GROUP

Planting success in diverse fields-Agri-research, seeds, paper, pharmaceuticals, fine chemicals.

TAPOVAN
PAPER AND BOARD

NATH PULP & PAPER MILLS LTD.
Adalat Road, Aurangabad 431 005.

Sobhagya-B/89

VENTURE CAPITAL LESSONS

Venture capital, now acclaimed as the lubricating oil of the hi-tech machine, is not as recent a financial innovation as is commonly supposed. Its origins go back 40 years when, as Robert Heller (*The Pocket Manager*) explains, "Existing businesses were tried and found wanting in their ability to operate new businesses within their bureaucratic walls." Thus did Du Pont establish autonomous groups to develop new products independently and AT&T, the communications conglomerate, spin off its research facility into Bell Telephone Laboratories to promote new technology. That the Du Pont subsidiary soon produced nylon and Bell Labs the transistor is now history.

In its simplest form, venture capital financing works thus: assuming a biotechnologist has developed a formula for manufacturing artificial blood plasma, he applies to a venture capitalist for a loan of Rs 10 lakhs in return for which he is prepared to surrender a quarter of the equity. The financier usually structures his deals so that his money will multiply, say 10-fold, in five years. The applicant is implicitly valuing equity at Rs 40 lakhs. Using a modest price-earnings ratio of 10:1, he has to earn Rs 4 lakhs of post-tax profits before the five years are up. If the lender believes that is feasible, the scientist gets his money. After five years, the company has established itself and goes public with a share issue at a premium. The venture capitalist then cleans up by selling his appreciated shareholding, the promoter retains control with his equity (or becomes rich by offering a portion for public subscription) and the company has accumulated a cash-pile for future expansion.



The total potential for venture capital in India is estimated at Rs 300 crores annually. A close look at how venture capitalism worked in the US should help the concept take off in this country too

Recent corporate history abounds with dazzling success stories of venture capital. The grand-daddy of venture capitalists was General Georges Doriot whose American Research and Development (ARD) became a byword for astute backing of advanced technology. Doriot's most sensational success was his support of Ken Olsen; for $70,000, ARD secured a 77% stake in Digital Equipment Corporation (DEC) which it sold eventually for $350 million. DEC grew to become IBM's hottest competitor.

Other legendary coups include:

□ Venture capitalist Ben Rosen's investment of $2.5 million in General Parametrix which became $10 million; an equal outlay in Compaq Computers which swelled to $39 million; and, most incandescent of all, his $2.1 million equity in Lotus Development (whose 1-2-3 spreadsheet became the bestseller in personal computer software) was sold for $63.8 million when Lotus went public.

□ Fairchild Camera Co.'s investment of $50,000 in William Noyce's semiconductor which was parlayed into $3.50 million. In one year alone, Fairchild earned $8.4 million from Noyce's inventions.

□ The decade's most successful venture capitalist, a Boston banker named Peter Brooke, operating through his company, TA Associates, put $1.7 million in Tandon, the microcomputer company, between 1977 and 1980. In 1982, he sold out for $77 million. He improved on this with his investment in Biogen, the genetic engineering firm — $171,000 became $10.5 million when Brooke cashed out. His backing of An Wang ($50,000) became the $550 million Wang Laboratories.

Failures are equally spectacular. ITT's master-manager, Harold Geneen, blew $600 million of his subsidiary Rayonier division's money when he financed a forestry project which involved felling Canadian hardwood trees and floating them down-river to the rayon mill. The biggest venture capital deal ever structured — for $200 million — to promote Gene Amdahl's Trilogy superchip sank without trace when the product was torpedoed by a technical hitch.

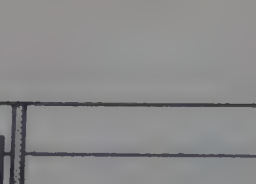
Sir Clive Sinclair, the British whizkid falls in both the fruitful and flop categories. Sinclair was that *rara avia*, a genuine inventive genius, who pioneered the pocket calculator, the digital watch, the pocket TV, the first personal computer to sell under £100 and many other wondrous things. Backed by the National Enterprise Board, Sinclair Radionics went public and its founder became a folk-hero, a millionaire and a knight of the realm almost all at once. He then bungled the production of an electric town car (touted as the ultimate personal transport module) and lost £8 million of his own, plus a larger amount from his backers. A shattered Sinclair sold out (patents and all) and quit.

The spiritual home of venture capital is the US where 400 venture capital corporations now operate with a total pool of $20 billion and annual outlays of $4 billion. That is only a drop in the ocean of all new business formations (10,000 a week) and even smaller against the backdrop of a $3 trillion economy. However, the return from the modest investment vastly surpasses the scale of outlay. Ben Rosen estimates that the $50 million which launched Apple, Intel, Microsoft, Rolm, Genentech, Tandon and DEC gave America the personal computer, the microprocessor and the memorychip. A bonus was that all these products were developed in less than two years, compared to the 30-year gestation period for radar.

Statistics show that 20% of US venture capital outfits are booming successes (*a lā* Apple), 40% perform marginally (survive) and 40% fail (like Trilogy). The risks are high but the rewards adequately compensate for the losses. Heller sums up the risk aspect thus: "Money accepts a high degree of downside risk (including total loss) in

In its 25th year, CCI takes stock of its past, and rededicates itself to the service of the Nation

In tune with Nehru's vision.



CCI : Not just quality CEMENT at fair price, but an unending commitment to the Nation building.

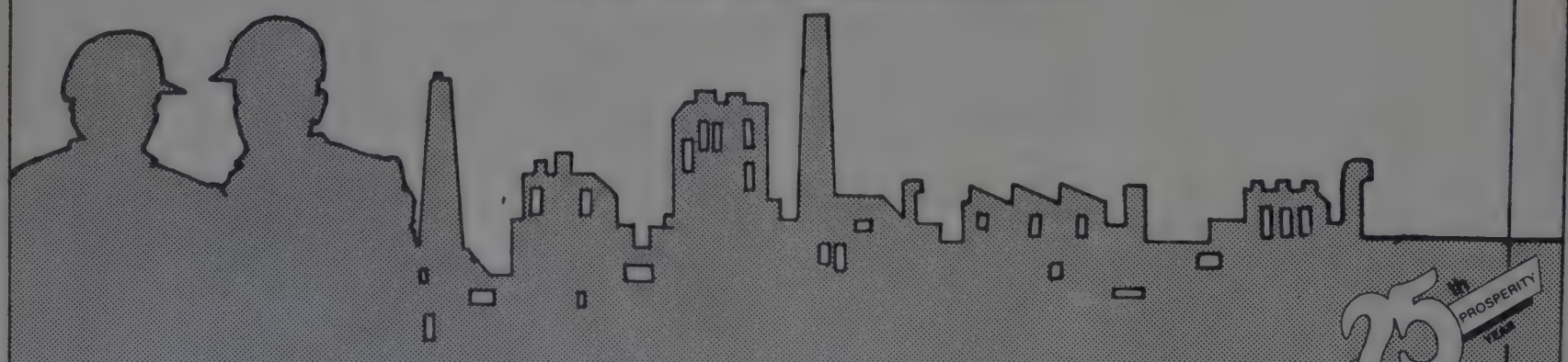
The beginning of its 25th Year is the beginning of a new resurgence for **CCI.** Increase in capacity utilisation, energy conservation, cost and quality control-are some of the hallmarks of this resurgence.

CCI was incorporated as a Central Government Undertaking in 1965. Since then it has not looked back. Today, with 10 operating units in Andhra Pradesh, Assam, Haryana, Himachal Pradesh, Karnataka and Madhya Pradesh with a total capacity of 4.72 million tonne, **CCI** provides direct employment to over 6,500 people. It has encouraged a balanced regional growth at its plant sites and has strived to provide employment opportunities in underdeveloped areas. Implementation of 20 Point Programme and integrated rural development at all units viz, health-care, family welfare, etc. has been an abiding commitment with **CCI.** It has set up a full fledged **CONSUMER SERVICE CELL** to provide technical know how for economical use of cement and to attend to the grievances/ complaints of the consumers and stockists etc. — an important milestone in consumer service. **CCI** has also revitalised its marketing set-up to meet the challenge of the emerging competitive market.

So, when you think of **CCI**, its **Quality Cement** plus **national commitment**

CCI CEMENT

All India network
of sales offices and authorised stockists



CEMENT CORPORATION OF INDIA LIMITED

(A GOVERNMENT OF INDIA ENTERPRISE)
CCI House : 87 Nehru Place, New Delhi-110 019.

return for an exceptionally high degree of upside potential (i.e. a bonanza)."

Venture capital is neither philanthropy nor gambling — it cannot afford to be. What then are the vital factors which govern an investment decision?

- First, it is the man behind the project. A successful inventor should combine the cerebral capacity and the flinty dedication of a Henry Ford I, Ken Olsen and Steven Jobs.
- Next is the evaluation of the man and his concept — his quality as an entrepreneur and the strength of his business idea. Here, extensive checking with his professional peers will reveal much.
- The project must have a high-yield potential in the 20% earnings range. As the investor has to cash out in five years, the traditional term loan debt-service ratios with amortisation in 10 years is not good enough.
- As a corollary, the product's technological leading-edge should be so sharp that it stays ahead of the competition for at least three years. We are now regularly overwhelmed by the speed of technical progress. The manual typewriter had a life-span of 30 years, the electro-mechanical seven, and the electronic one just two before the wordprocessor made it obsolete.
- Commonsense, that not so common quality, is vital. Inventors are often idealists, removed from the real-life world. This realism has to be provided by the venture capitalist. The Rayonier timber scheme which cost ITT so dear was earlier presented to Doriot. After enduring a three-hour exposition of demand extrapolations, cash flow statements and profitability projections — all reinforced by graphics and computer printouts — he slew the project with the question: "Will the logs float?" (They wouldn't — the diameter of the trees was too small.)
- A strong nerve is an imperative; the courage to support the venture, if one has faith in its eventual success, is essential even if the project seems to be floundering. DEC required backing for four years and Tandon Computer for three before they got on track.
- Finally, the venture capitalist needs a sense of timing if he is to hit a gusher. Impatience will mean reduced rewards. Doriot's stake in DEC lasted for 21 years. Conversely, staying with Wang Labs too long cut Brooke's profits as the company failed to cash in on the personal computer boom, despite its wordprocessing supremacy.

Venture capital made its debut in India in 1987 when the Industrial Credit & Investment Corporation of India's subsidiary was established. It has so far sanctioned over Rs 10 crore to projects engaged in computer hardware and software, environmental engineering and chemicals. The corporation has been expanded in collaboration with the Unit Trust of India — a fund of Rs 10 crores was launched as a joint venture in 1988 and a second tranche of Rs 40 crores is scheduled for flotation in 1989, with banks also participating. Unlike its high-cost counterparts in the US, the ICICI outfit provides inexpensive funding as an interest-free loan repayable from royalties on sales.

The total potential for venture capital in India is estimated at Rs 300 crores annually. The Industrial Development Bank of India, the State Bank and Canara Bank are planning to jump onto this bandwagon with special venture capital funds.

They will have to readjust their presumably lofty objectives to the realities of the Indian scenario. The mental association of venture capital is with Silicon Valley — hi-tech at its most stratospheric. Things are differently ordered in India, where the character of industry is essentially mercantile, not entrepreneurial.

Accordingly, Indian venture capital investors will find no opportunities if they wait for projects like robotics, fifth generation computers, optical fibres, biotech and ceramic engineering. India has no technical leading-edge in these esoteric areas.

More relevant and pragmatic will be to promote technologies which are less dazzling but more appropriate to national needs and skills. Some are alternative energy sources, energy conservation systems, innovative (creative) software programming, agro-nutrients, rugged high-yield seeds, food storage and handling systems (20% of India's food reserves are now rodent-fodder), oil and natural gas exploration equipment, drugs with special application to the tropics and the like.

Venture capital is relevant to India, but investors will find no opportunities if they wait for projects like robotics, fifth-generation computers, optical fibres, biotech and ceramic engineering

To balance their risk-exposure while they gain experience, the agencies can offer equity injection into existing enterprises having high growth-potential. This will improve the unit's liquidity and reduce interest costs.

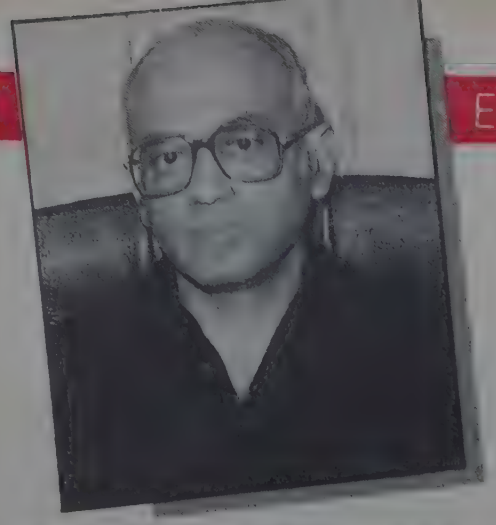
Besides specialist venture capital outfits, leasing and finance companies — which are frequently affected by seasonal recessions, sagging investment in capital assets and declining margins — can diversify into venture capital financing. They will have to upgrade their appraisal techniques for this more demanding field.

The government will have to support venture capital investment by offering incentives. They include: a special long-term capital gains tax; tax writeoffs on developmental expenses and generous interpretation of 'sour' investments; exemption from capital gains tax on profits from sales of appreciated stock reinvested as startup funds in new ventures; and a lower corporate tax structure for venture capital corporations.

These are not extortionate concessions for a brand of financing which aims at enhancing the country's technological capacities. Unless they come, the venture into venture capital financing will be stifled at birth.

■ *S.V. Kumar*

The author is a former general manager of SBI and freelance writer



DALMIA IS HOPEFUL ABOUT GOVERNMENT SUPPORT

CEMENT INDUSTRY

EXPORT OR BUST

Question: When is good news not so good news?

Answer: When the recipient of the good news happens to be the cement industry.

A much-clamoured for policy change — decontrol of cement prices — was handed down in the last budget, but the applause, if any, is muted. "In a glut situation, decontrol is not good," grumbles M. Karnani, general manager (marketing) of Larsen & Toubro, whose cement division has just turned the corner. Subrata Ganguly, executive vice-president and managing director of ACC, the country's largest cement conglomerate, is less vocal, but feels the decision is four years too late. "Cement decontrol should have been done in 1985 when imports were stopped," he says.

The industry, however, has either to get to like decontrol or lump it. Unfortunately for it, the size of unsold cement lumps in its backyard is much too large for domestic demand to swallow. The Cement Manufacturers Association (CMA) estimates that production will have topped 42 million tonnes in the year to 31 March 1989, leaving a surplus of around 2 million tonnes. By 1991-92, production will soar to 58 million tonnes and the surplus will treble to 6 million tonnes, says the CMA's crystal ball (see table).

Prices are already weak. A bag of cement costs around Rs 50-60 in the open market, down from the decade's peak of around Rs 90. "We are afraid the price may go down further," says a gloomy A.L. Kapur, chief executive of CMA.

Adversity concentrates minds wonderfully well, and the cement industry is no exception. Two options — cutting production and forming a cartel — were mulled over and abandoned as unworkable. "As it is, most units are running at 85% of capacity. Reducing production would be a waste," says M.H. Dalmia, CMA president. As for cartelisation, it can't work in the present situation. "How can an industry with 96 units spread over the country, and all engaged in cut-throat competition, ever reach an understanding on price?" asks Narotam Sekhsaria, managing director of Gujarat Ambuja Cements Ltd.

Exports solution. The consensus solution that emerged after CMA members went into a huddle around mid-February was exports. "Not only will that take care of the surplus, it will also arrest (the fall) in domestic prices," says Dalmia.

Accordingly, a Cement Export and Marketing Association (Cema) has been registered. (It was originally proposed to call the outfit Cement Export Corporation, but the government shot it down on the ground that it could be confused with the Cement Corporation of India (CCI), a public sector company.)

Cema, which will be run on professional lines with a board of directors drawn from various cement companies, will primarily try to channelise all cement exports through it, with the losses being shared by manufacturers.

There are signs that the idea is welcome. "It is a positive move," says Sekhsaria. Ganguly of ACC also backs the move. "Cement export is an uneconomic proposition. So it is better to collectively bear the losses. An organisation like Cema will benefit. the small as well as large manufacturers."

Given overseas f.o.b. prices of around $25-35 (Rs 385-540) per tonne of cement against average domestic costs of nearly Rs 750, the crucial question is how the losses will be divvied up. The CMA reckons that if an export development fund can be created by levying a charge of Rs 10 for every tonne of cement produced, the subsidy scheme will work. But will the better off manufacturers be willing to subsidise their more beleaguered brethen? Kapur, who will probably run Cema as managing director, feels that there should be no problem. "Nearly 85% of cement producers have agreed to join (the Cema scheme)," he says. It is not certain whether the public sector CCI will play ball, but Kapur says he's "hopeful" of that.

Potential markets. The main markets identified for export are India's neighbours — Nepal, Bangladesh and Sri Lanka. "We have already received orders from Nepal," says Karnani of L&T. Dalmia feels Singapore, West Asia and Malaysia, too, could be potential markets.

So far, so good. But, in the long run, exports cannot be viable unless domestic prices rise adequately to compensate for export losses. Which means exports on a sustained basis may need governmental dollops. The CMA has already pleaded for cash compensatory support (CCS) of 25% for exports routed through Cema. "The Central government is receptive to our request," says Dalmia.

How receptive will be known in due course. The reports are that the CCS may be around 10%-15% and not the 25% sought. For the battered cement industry, though, half a loaf is better than none.

■ *Maya Rai Choudhuri*

THE CEMENT SURPLUS

(In million tonnes)

Year	Cement production at 85% capacity use	Likely cement demand	Surplus cement production
1987-88		39.2	—
1988-89	44	42.0	2
1989-90	51	46.0	5
1990-91	54	48.0	6
1991-92	58	52.0	6

Source: CMA



Our new name.
Mukand Limited. Because we found our old name — Mukand Iron and Steel Works Limited — too confining.

Today Mukand is much bigger than its name. We no longer just manufacture iron and steel. Besides manufacturing an extensive range of value-added steel, we're equally active in other areas like machine-building and engineering construction.

There is a spirit of creativity in Mukand that fires innovation. A spirit that touches your daily life in items as mundane as a bicycle spoke or a kitchen utensil. Or as technical as piping for a nuclear plant.

This spirit is reflected in our resolve to let nothing hold us back. Not even our logo — we've changed it for a new one that represents Mukand's dynamism and growth — the very reason we've also changed our name to Mukand Limited.

Though if you read between the lines, you'll see us as we really are — Unlimited.

MUKAND LTD. **MASTERMINDS IN STEEL**

Regd. Office: L.B. Shastri Marg, Kurla, Bombay 400 070

SILK INDUSTRY

GETTING A BRIGHTER SHEEN

The World Bank is stepping in with very generous support to India for mulberry and sericulture development. Unveiling its astonishingly user-friendly loan terms last fortnight was Central Silk Board (CSB) chairman S. Muniraju: the World Bank is pitching in with an interest free loan of Rs 380 crores repayable over 50 years. (The only allied cost is a processing and appraisal service fee of 0.75%.) The objective is to double the country's silk production to 15,000 tonnes by 1995.

The World Bank's assistance will help part-fund a massive and multi-pronged thrust—costing Rs 600 crores — being impresarioed by the CSB to add more sheen to Indian silk. The developmental blueprint envisages the setting up of four more silk exchanges (in West Bengal, Tamil Nadu, Andhra Pradesh and Jammu & Kashmir) on the lines of the one already in operation in Karnataka. Other advantages are: bringing buyers and sellers under one roof, encouraging sales through public auctions and ensuring accurate weighment with electronic weighfeeders.



A VIEW OF A MULBERRY FARM IN BENGAL

The master plan also envisages the setting up of silk conditioning houses in each of the five states. These houses will be operated by the CSB and will carry out proper quality tests. (At present, 'quality control' is crude and consists of assessing the silk by sight.) All these measures have been devised to eliminate brokers and merchants and ensure fair returns to producers, stress CSB officials.

Raising employment. In India, silk is big business. According to one estimate, the total value-added production of silk goods in the country during 1987-88 amounted to around Rs 2,000 crores. Exports for the year were Rs 255 crores. More importantly, the silk rearing and processing industries employ an estimated 5.5 million persons, many of whom are tribals. "Our plan is to raise the employment level to 6.5 million by 1995, and also create indirect employment opportunities for another one million," says Muniraju.

According to him, the CSB is tackling this task in several ways. Apart from encouraging productivity-raising efforts in the five states, it wants to spread silk cultivation to at least 10 other states during the Eighth Plan. In collaboration with state governments, the CSB will seek to increase the acreage under mulberry culture and improve irrigation, rearing and reeling facilities.

The World Bank is said to be particularly optimistic about the overall prospects of successfully doubling silk production in India. This is because India has been identified as one of the few countries where there is scope for increasing mulberry production, both from the point of view of land availability and labour cost. Muniraju says India's track record of maintaining a consistent 8% annual growth rate is not to be sneezed at. And although Indian production is well behind China's 35,000 tonnes, today the country ranks a clear second: Japan has been outstripped.

Using wastelands. He adds that more wastelands will be used to grow silkworm food plants. One idea is to raise these plants in concentrated patches on government-owned wastelands, panchayat lands and forest areas, allotting them to the local tribals for carrying out silkworm rearing activity. With the depletion of forest cover, silkworm food plants have to be retrieved from deep in the forest interiors, an arduous chore which is causing tribals to lose interest in worm rearing.

With the decline of Japan's silk industry, India has excellent chances of making inroads into new overseas markets. The World Bank, too, clearly expects that India will seize this opportunity by the forelock and firmly establish itself as the free world's largest silk producer.

■ *Sujoy Gupta*

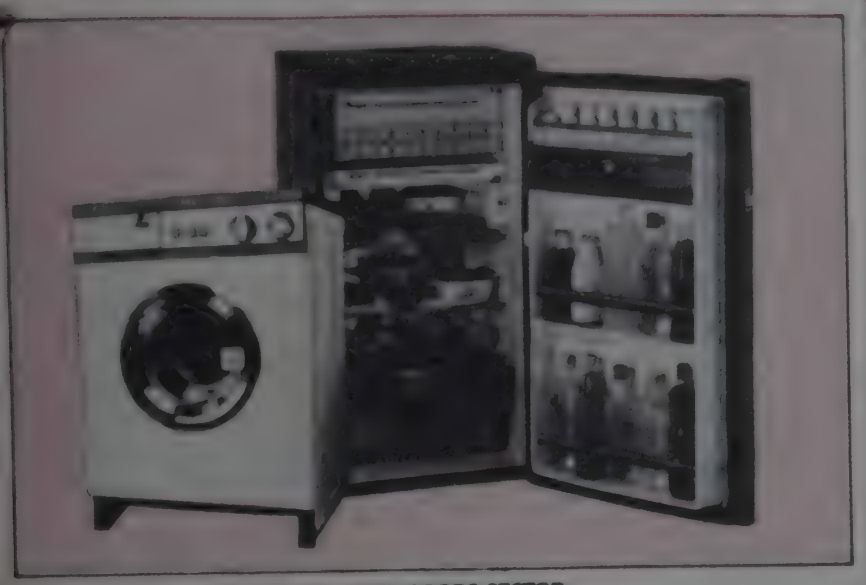
SILK SECRETS

According to legend, silk's secret was first unravelled in 2640 BC when Chinese Empress Xi Ling Shi dropped a cocoon into hot water and discovered that she could unwind a glistening thread from the softened mass. Since then, silk — the cloth of emperors — remained China's secret for more than 2,000 years. Imperial law decreed death by torture to anyone who disclosed the silkworm's magic.

There is an age-old story as to how silk reached India from China, where silk moths were tended by royal hands and kept a national secret. Apparently, the spell was broken when a Chinese princess married an Indian prince and smuggled moth eggs out with her to her new home in India! Or so runs the tale.

Incidentally, the silkworm is not a worm at all. It is actually a caterpillar, a member of the order Lepidoptera which includes butterflies and moths. The most common source of silk is the domestic Bombyx mori, but there are more than 500 species of wild silkworms.

BROADBANDING EXTENDED



LIBERALISATION REACHES THE WHITE GOODS SECTOR

The broadbanding scheme is being broadened further. The scheme has been extended to the white goods sector, which includes domestic refrigerators, deep-freezers, washing machines, dish washers and vacuum cleaners.

The scheme is aimed at assisting manufacturers to utilise production facilities to the maximum as well as to establish capacities for generating exports.

For domestic refrigerators, the minimum economic size of five lakh nos. will continue, whereas the remaining four items will have a combined minimum economic size of two lakh nos. These capacities can be set up in phases without having to get prior licencing clearances.

A NATIONAL STOCK EXCHANGE

The 1980s witnessed spectacular growth in the activities of the various stockmarkets in the country. Now, says the Bangalore stock exchange, is the time for an integrated national market.

As a prelude to this, the Bangalore stock exchange proposes to start an inter-exchange clearing house. The clearing house will initially cater to two or three regional exchanges like Madras, Hyderabad and Bangalore.

Stock exchange members can become members of the proposed clearing house. A separate bank account will be opened in each centre for easy settlement. The various documents will be transferred either using courier services or by fax, the Bangalore stock exchange has said in a recent release.

CCS SCHEME REFORM

The cash compensatory support (CCS) scheme, which was applicable to only loss-making units, will now be extended to profit-making ones. The new scheme is being considered by the Union cabinet.

The revised package is designed to compensate manufacturers for unrefunded taxes such as sales tax and duties on inputs that go into export production. Besides, it also aims at neutralising the higher freight rates resulting from the low volume of trade and discriminatory rates adopted by shipping conferences.

The CCS rates will be restricted to 25% of the value added (i.e. fob realisation minus rep. entitlement).

SEEDS: INDUSTRY STATUS URGED

Biotechnology, it is said, is the wave of the future. Possibly in recognition of this, Assocham has, in a recent note to the finance ministry, suggested that the manufacture of seeds be given industry status. It should be governed by the Industries (Development & Regulation) Act and treated on a par with other priority sectors, the chamber argued.

While Assocham has supported the broad contours of the government's new seeds policy, it has expressed the view that a few more fiscal incentives could provide the necessary impetus to this nascent, but potentially lucrative, industry.

A strong seeds industry will not only strengthen agriculture, still the base of India's economy, but also open up prospects for export.

EPZ AT VIZAG

The government, it seems, is getting serious about its export drive. After a recent spate of export incentives, the centre has now sanctioned the setting up of an export processing zone (EPZ) at Visakhapatnam, the seventh of its kind in the country. The other EPZs are at Kandla, Santa Cruz, Falta, Madras, Cochin and Noida.

The units admitted to the new EPZ will have to export 100% of their production. These units will be given certain facilities and concessions for raw material imports, components and capital equipment, which are to be notified separately.

The Visakhapatnam EPZ will be under the administrative control of the ministry of commerce.

OPTIMISTIC EXPORT PLAN

Assocham has drawn up a plan to achieve an annual export growth rate of 14% in real terms in the eighth plan period. The 11-point plan also hopes to scale down the trade gap to zero by the end of the eighth plan (1994-95).

The study, titled 'Export growth', suggests functional linkages between exports and imports, relaxation in export obligations for Fera companies, tax benefits for 100% export-oriented units and flexibility in export of items on the open general licence list.

Other suggestions include import duty exemption on capital goods, reviewing the cash compensatory support scheme and changes in the value addition norms. The study says that the corporate sector should contribute significantly to exports in the context of a 6% growth in GDP, as envisaged by the Planning Commission, and an import growth rate of 11% during the eighth plan period.

MANAGEMENT STYLES & VALUES

In this extract from Prof. S.K. Bhattacharyya's book Achieving Managerial Excellence, *the author focuses on two crucial ingredients of corporate success — management style and human resources development. And style is not what the management thinks is its operating style, but what the rest of the organisation perceives it to be. As for HRD, what makes companies like L&T and Hindustan Lever stand head-and-shoulders above the pack is their heavy emphasis on continuous managerial training and the upgradation of skills.*

In the corporate world, one often hears comments about a professional style of management, particularly in relation to subsidiaries of multinationals. This professional style is immediately associated with a particular manner and mode of doing things, but the more interesting thing is the general perception that such managers are likely to be highly articulate, analytical and systematic in their workstyle and that their planning, decision-making and implementation would be marked by their knowledge and understanding of managerial and technological concepts, techniques and practices. Many of these attributes are derived from either their professional background or from their association with large (and often impersonal) corporations which operate on the basis of such systems and practices.

Their style is reflected in various things they do (and the way they do it) and the priorities which their organisations reflect in measuring managerial capability and accomplishment. It may be manifested in such innocuous things as sartorial style or hobbies and interests or even norms of social behaviour. In fact, it is often believed that a section of the professional management group, called the 'boxwala' tribe, has affectations, assumptions and associations which make them stand out like a sore thumb!

On the other hand, managers in family-managed businesses (often associated with Indian companies) are supposed to have an entirely different managerial style. Their personal preferences and managerial priorities are totally different from the other group. It is often reflected not only in their lack of concern — often bordering on cynicism — about professional knowledge because it is almost an article of faith with them that if you are an able entrepreneur, you can learn practically anything, including what professional managers know and do, and possibly, you can achieve even better results!

Asian Paints' most remarkable achievement has been to disprove the theory that only multinational companies and foreign banks know how to make the best use of management graduates' skills and capabilities

Often the tacit assumption is made that the professionally-managed companies represent the progressive or forward-looking segment in the corporate sector. The tremendous success of many family-managed companies in the past two decades — achieved by outstanding entrepreneurial capabilities and strategic management skills — has raised questions about the validity of the generalised and simplistic assumptions relating to what constitutes a professional style of management.

MYTHS EXPLODED

This study has clearly exploded some of the myths relating to professional management. The truth of the matter is that some professionally-managed companies are beginning to imbibe and reflect in their working the entrepreneurial style of the family-managed companies, possibly in order to survive and compete in the marketplace. They are learning new skills in managing the environment which were not evident earlier in their 'correct' way of doing business,

GRADUATION CEREMONY AT IIM, CALCUTTA



often resulting in business disappointments and failures.

In the eastern part of the country, some of the professional managers have given up their traditional sartorial style by discarding their jackets and ties, and appearing in safari suits (or even in shirt sleeves) — a thought not even dreamt of 20 years earlier!

On the other hand, family-managed companies are now manned by second and third generation family members who often have a technical background or have been educated in well known business schools of the West. The members of this new generation are as comfortable in the world of western values as they are in the more traditional setting. Furthermore, many of these family-managed businesses are collaborating and importing technology from some of the most professionally-managed companies in the western world and in the process, imbibing many of their values and styles. They are inducting people from outside the family with technical and managerial skills in senior management positions — including, in some cases, the position of chief executives of their companies. They are also introducing management methods which were once considered the distinctive preserve of professionally-managed companies. The net result of all this has been a blurring of the sharply drawn distinction between the two groups associated with different styles in the Indian corporate world.

UNDERSTANDING OF STYLE

It is now being realised that organisational style is deeper in its content than some of the outer manifestations which had been traditionally seen representing a style. The organisational diagnosis model provides a refreshingly different understanding of style. The authors of the model say: "We think it is important to distinguish between the basic personality of the top management team and the way that team comes across to the organisation. Organisations may listen to what managers say, but they believe what managers do. It is not words, but patterns of action that are decisive. Using Henery



Holck-Larsen's philosophy of always recruiting the best still pays off as far as L&T's management goes today

Mintzberg's 'The Manager's Job: Folklore and Fact' (*Harvard Business Review*, July-August 1975) they proceed to add that 'Managers do not spend their time in the neatly compartmentalised planning, organising, motivating and controlling modes of classical management theory and the median time spent on any one issue is nine minutes'."

What can a top management (person) do in nine minutes? Actually, a good deal. He can signal what is on his mind; he can reinforce a message; he can nudge people's thinking in a desired direction.

This study has shown that in the ultimate analysis, style is the balancing act of setting tough organisational and individual objectives, and the process and mode of single-minded pursuit of such objectives. It is clear that the level of openness within an organisation, the clarity of communication, the organisational thrust, the willingness to delegate powers to levels which are best equipped for operational decision-making, the encouragement of managerial innovation, the business principles (or guidelines) adopted, and the achievement orientation are the elements of organisational style which contribute to managerial excellence and determine the quality of organisational performance. Many of the organisations studied revealed the existence of these factors in some significant measure or the other.

In most of the organisations which are excellently managed, there was great emphasis on direct interaction among managers and resolution of problems, rather than putting them down on paper in a formal manner. In fact, in many of these organisations, there was a considerable degree of abhorrence of note writing and a clear understanding of the opportunity cost of managerial time. This was reflected in the expeditious decision-making on operational matters at all management levels. One can easily contrast this with many other organisations in the Indian context where the emphasis

is on putting things down in writing, ensuring in the process that a substantial part of managerial time and effort is spent in generating paper work rather than making and implementing decisions!

CONTRIBUTORY FACTOR

In almost all the 10 excellently managed organisations studied (see *BW* 1-14 March 1989, p.53), there was a fairly high degree of delegation of operational decision-making powers. There is evidence that this organisational style has significantly contributed to development of personnel at lower levels since they are exposed to the rigours of analysis of various situations, arriving at decisions and achieving the committed results. In many of the cases, such delegation of power is formalised and has been spelt out in the form of functional and operational manuals which are openly shared within the organisation. More importantly, the attempts to refer matters, for which powers have been delegated, to higher levels for decision making under the garb of getting a 'second opinion' or 'providing information' are firmly resisted or frowned upon. This is one of the most important contributory factors which has led to the effectiveness of delegation in these organisations.

Another significant feature of the excellently managed organisations studied is the degree of openness within the organisations. This is manifested in oral communication rather than formal meetings for sharing of information on organisational performance (and also sharing concerns and anxieties relating to organisational trends). Social get-togethers, house magazines, etc. have been effectively used to nurture the openness within the organisation. The level of managerial thrust on action, rather than endless analysis — so much eulogised by Peters and Waterman in their book *In Search of Excellence* — is also clearly evident in these organisations. Completion of tasks and achievement of objectives are rewarded and rationalisation for non-performance severely discounted.

In several of the organisations studied, managerial innovation and entrepreneurship is a common characteristic. Many of these organisations recognise efforts in this regard by way of incentives, promotions and rewards, and the basis on which they are awarded are openly communicated to the managerial community in the organisation. This provides the required motivation towards efforts for innovation and achievement.

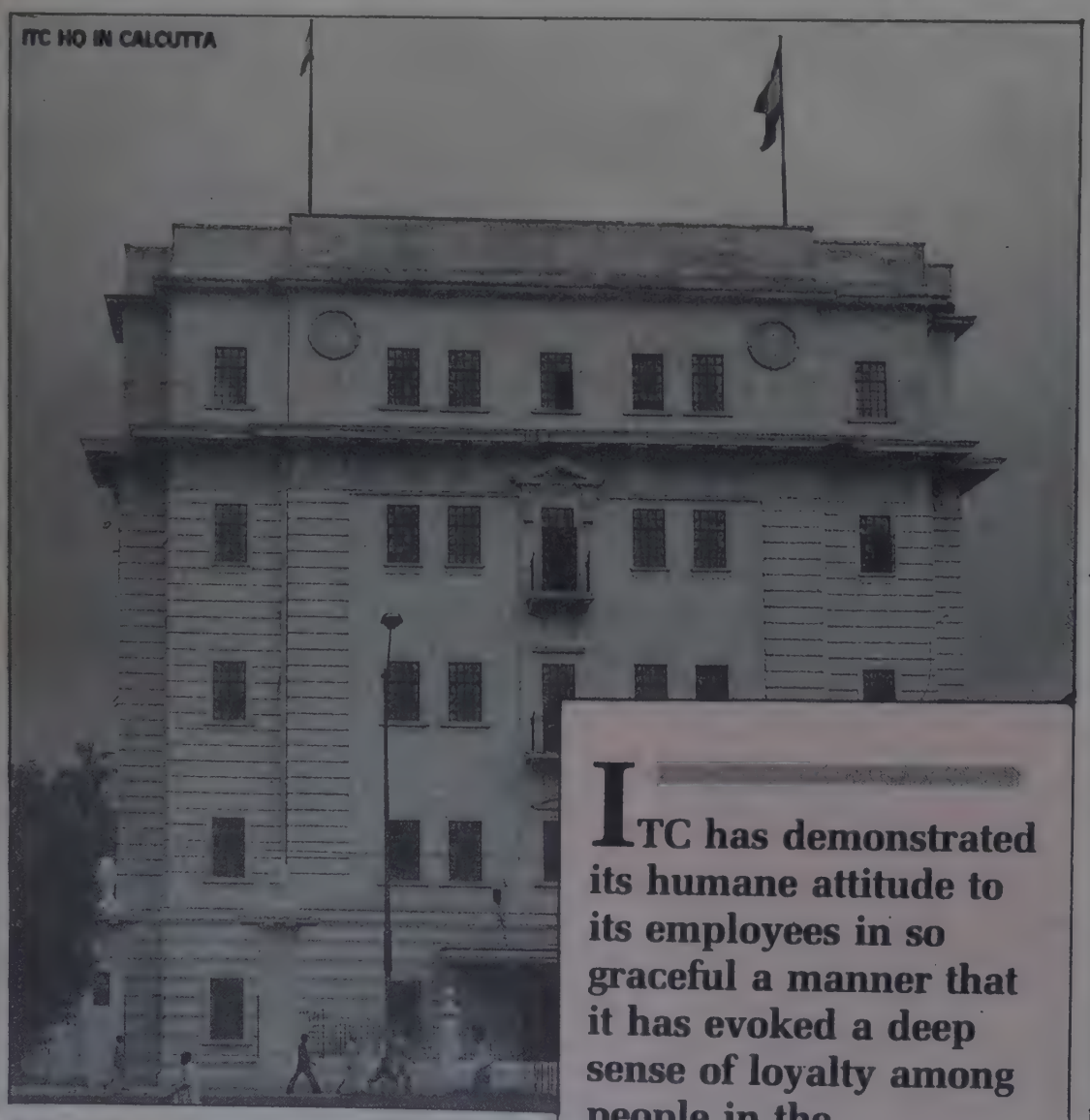
A TRENDSETTER

Asian Paints is a company where openness is actively encouraged and supported by chairman C.H. Choksey's personal adoption of this managerial behaviour model. Also, Asian Paints is a trendsetter in discouraging expressions of managerial ego and emphasising norms of behaviour which subordinate status to achievement orientation.

Bhel, by its open adoption of management systems, comes out as an organisation which has broken away from the conventional public sector mould and brought to bear on its operations a business orientation which is refreshingly different. By its active encouragement of organisational innovation, it has established itself as a trendsetter in management style.

ICICI's style is not only truly professional and businesslike in its content but it is also marked by a highly original and innovative approach to development banking. The willingness to be open in the decision-making process, the eagerness to listen to analysis and recommendations from lower rungs in the managerial hierarchy and encouragement of innovation are hallmarks of its style.

Larsen & Toubro's style is best evident in its managers' unrelenting pursuit of committed tasks and targets, and the willingness to demonstrate the highest order of managerial grit and perseverance in achieving such targets. The 'never-say-die' spirit of Larsen & Toubro managers is in striking contrast with the Indian managerial style that is marked by the rationalisation of non-achievement. The reason why such a style has



ITC HQ IN CALCUTTA

ITC has demonstrated its humane attitude to its employees in so graceful a manner that it has evoked a deep sense of loyalty among people in the organisation

taken deep roots in Larsen & Toubro is because it is practised from chairman N.M. Desai downwards at all managerial levels.

During the past two decades, emphasis in management thinking and action has substantially shifted from sophistication in operations and functions to an understanding of the human resources within the organisation. It has been clearly demonstrated time and again that the ability to use this organisational resource — i.e. people who work in the organisation — is as crucial as managing functions like production, marketing, finance, technology, etc. effectively.

There is a general awareness that while money is an important part of the total scheme of things relating to the motivation of people, there are many other dimensions, including people's role in the organisation, the self-image that they have, the opportunity for their personal development, and the challenge and satisfaction they derive by working in the organisation. The other most important determinant of attitude to work achievement and motivation is the perception of people about the values and styles of the organisation they work for. If they see the organisation is grounded on the premise of achievement of appropriate and desired values, they feel that they are justifiably proud of working in such an organisation, having the right values and styles. The other dimension which would contribute to their pride is their perception of the performance and achievement of the organisation.

The way organisations select, place, promote, train and develop their people is a signal to those within the organisation that the organisation recognises the need for continually upgrading the quality of its people and that it is willing to provide the necessary support towards this end. Excellent organisations also insist on high performance and are willing to recognise and reward such high performances, based on a fair and objective performance appraisal test.

UNWRITTEN REQUIREMENT

However, if one has to choose one single aspect of the staff dimension of managerial excellence, it would relate to the tremendous amount of attention, investment and effort which high performing organisations devote to management training and development. This is in sharp contrast with many other corporations which provide lip-service to training and development but hardly reflect it in their managerial action, beyond occasionally sponsoring people for external training programmes. Such high performing organisations see training and development as a vital and intrinsic requirement for their continuous success. It is almost an unwritten requirement in several of these companies that members of the senior management group devote time for training and development of managerial personnel within the organisation.

Management style is the balancing act of setting tough organisational and individual objectives, and the process and mode of single-minded pursuit of such objectives

The status, funding and support which the training establishments (and their executives) receive from the top management of the excellent organisations are exemplary. Innovation is encouraged and attempts on the part of the operational and functional department to withhold their personnel from internal and external training programmes almost invariably incur the wrath of top management.

Three other facets of training and development noticeable in the organisations with excellent ratings in the staff dimensions are:

- Their understanding of job rotation and assignment to projects and task forces as excellent instruments for management development;
- Training and development of supervisory personnel;
- Furthering the technical skills of operators, supervisors and lower level managers by continuously exposing them to newer developments in their respective fields.

Undoubtedly the highest rating in good selection of staff, and inducting a high level of pride, motivation and achievement-orientation in them, should go to Larsen & Toubro. Holck-Larsen, when he was once asked to explain the factor contributing to oustanding success of Larsen & Toubro, had responded by saying, "We have always recruited the best engineers and professionals without paying any attention whatsoever to extraneous social or political considerations."

RECRUITING ON MERIT

The net result of this philosophy has been that Larsen & Toubro has always recruited engineers and professionals solely on merit and ensured that they are provided adequate opportunities for career development and personal growth. Its performance appraisal system is such, and more importantly the managerial culture is of the kind, that a high performer gets recognised, rewarded and provided opportunity for career development and personal growth. Thus Larsen & Toubro has one of the best qualified managerial staff in the country, selected and promoted on the sole criterion of merit without considerations of linguistic or social-political affiliation or geographical origin. The company pays a great deal of attention to management training and development as well as technical and supervision-skills development. It is a matter of great pride within the corporation that Larsen & Toubro's training and development effort is seen to be one of the very best amongst technology-based organisations.

The other aspect of the staff dimension in Larsen & Toubro's management relates to the very considerable concern of the organisation in respect of the well being of its employees. The medical, transportation and educational support that it provides to its employees and managers sets the standard in the industry.

Furthermore, the work climate is of a kind which focuses wholly on professional capability and managerial performance track record rather than accents or affiliations or extra-work hobbies and interests. Larsen & Toubro managers know that those who perform can expect to attain the highest position that the organisation can offer.

Hindustan Lever's recruitment programme is also singularly free from all external considerations and influences. The care and concern with which its managers are selected is possibly unique in the context of the Indian industry. It is a tradition with Hindustan Lever that each potential future manager, at the final shortlist stage, is interviewed by the executive directors. Its induction programme, in terms of putting the selected manager through operational and functional realities and "dipping him in the Hindustan Lever stream", is truly thorough and comprehensive.



"WHAT DO YOU MEAN I'M NOT PROFESSIONAL IN MY WORK? DON'T I HAVE A TIE & THREE-PIECE SUIT?"

MILITARY-LIKE BELIEF

The quality, depth and frequency of Hindustan Lever training programmes evoke a great deal of admiration throughout the corporate world. It has an almost military-like belief that lieutenants and captains must be constantly subjected to training programmes, and in turn instruct others, as they progress in the managerial hierarchy before they become corporate Generals! The extent and quality of participation of the senior Hindustan Lever manager in the internal training programme is in refreshing contrast with most other Indian organisations. A particularly important achievement of Hindustan Lever is the enormous amount of effort on training its own salesmen (and salesmen of its distributors and dealers) in the various aspects of marketing and selling.

In the case of Asian Paints, its most remarkable achievement has been to disprove the theory that only multinational companies and foreign banks know how to make the best use of management graduates' skills and capabilities. For a family-managed company, with all its connotations of management styles and values, it has been able to retain and develop a very large number of management graduates by offering them challenges and opportunities for growth and recognition. Perhaps the single most important factor in all this is that Asian Paints demands respect for performance, notwithstanding the background of the performer, and in turn is willing to provide recognition to those who can innovate, generate new ideas and achieve new heights of performance.

In the case of ICICI, its ability to attract, develop and reward professionals in its field has been of an exceedingly high order. The open management style of H.T. Parekh, the easy accessibility of senior managers to juniors and most importantly, the recognition and reward of high performers, are the hallmark of ICICI's staff management. It is hard to identify another financial institution which has done so much to promote and develop professionalism, and to provide opportunities for the growth, development and recognition of professional staff.

Several of the high performing, excellently managed Indian organisations have demonstrated their humane attitude towards their employees. ITC has spent, in disregard of the rules, a considerable amount of money in sending one of its stenographers abroad for urgent medical treatment. In this particular case, after the employee returned, there was a recurrence of the medical problem for which further medical attention abroad was required. This was provided by the company so promptly and in such a graceful manner that it evoked a great sense of loyalty among people in the organisation.

Though not directly related, particular mention needs to be made of the very effective use of job rotation, and secondment to task forces and projects, as excellent instruments for training and providing opportunities for personal growth. Hindustan Lever, ITC and ICICI are outstanding examples of organisations which not only believe in job rotation but practise it.

The ability of the organisation to go beyond cliches like 'people are our best assets' and to relate its belief in terms of objective selection and performance appraisal, opportunities for career development, personal growth and self-actualisation, and providing opportunities for further achievement by promotion and job rotation, are easily some of the most critical requirements for achieving managerial excellence.

Excerpted from Achieving Managerial Excellence: Insights from Indian Organisations, *by Prof. S.K. Bhattacharyya. Published by Macmillan India Ltd., 2/10 Ansari Road, Daryaganj, New Delhi 110 002. Price: Rs 80 (hard cover).*



Say it with flowers for all those wanting to fly non-stop to duty-free Singapore.

Shopping savants and orchid connoisseurs alike feel at home in Singapore, what with its profusion of duty-free bargains and multi-hued blossoms, waiting to be snapped up all over the city as well as at the Changi Airport. To make their day, here's a timely reminder: our twice weekly Bombay-Singapore flights with convenient morning departures on Sundays and Tuesdays. Our excursion fare to Singapore and our world-renowned hospitality, born and bred in Switzerland, add zest to every shopping expedition, making it an occasion to celebrate, maybe with flowers.

swissair

For details call your IATA travel agent or the nearest Swissair office
AHMEDABAD 449149 · BANGALORE 501983 · BOMBAY 267210 · CALCUTTA 44643 · COCHIN 30380 · DELHI 330551 · HYDERABAD 224244 · KATHMANDU 222452 · MADRAS 86

THE GREAT PETROCHEM GAMBLE

Is there a pot of gold at the end of the petrochem rainbow? Even if there is, that is no reason for industrialists to leap before they look.

It's a 13-letter boomword with a 12-digit monetary implication. And that's what tickles the fancies of India's growing band of big-thinking private sector industrialists, from two-bit tycoons to megacorp millionaires. Long excluded, both by executive fiat and intrinsic inability, from gigantic core sector activities, businessmen find the allure of tomorrow's multi-crore petrochemical world irresistible. For what is on the cards is not projects that need tens of crores, but hundreds and thousands of crores of investment. In short, petrochem offers quick transit from Lilliput to Brobdingnag, at least in money terms.

Consider the sums involved. By 1995, the government reckons, India will need at least three crackers and connected olefinic complexes apart from two aromatic complexes (see Petrochem primer, p.53, for definitions). The crackers and olefinic complexes would cost over Rs 1,500 crores each and the aromatics projects about Rs 900 crores each (at today's prices). In addition, there would be three Lab (linear alkyl benzene, a detergent input) plants collectively costing around Rs 750 crores. Investments of this size would have to be repeated in the ninth plan (1985-90). That makes about Rs 20,000 crores of investment over the next decade.

But that's just for the big projects. The little ones add up to several thousand crores more. One government estimate made in 1986 came up with a figure of over Rs 26,000 crores of investment by the year 2000. Add the ballooning effects of inflation, and the Rs 26,000 crores could begin to look more like Rs 35,000 crores by the time the projects see the light of day.

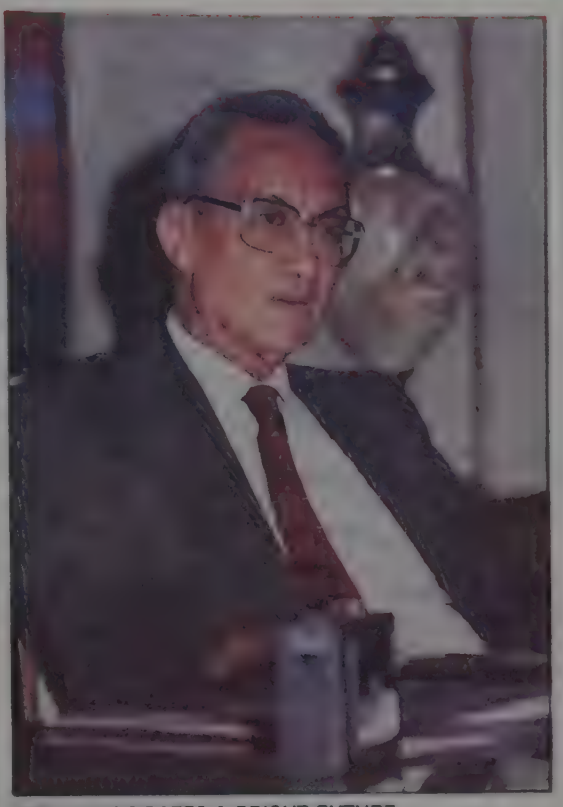
QUICK GROWTH

Big money is what makes big business bite. It took Tisco all of 80 years to achieve a turnover of around Rs 1,500 crores. Biz wiz Dhirubhai Ambani did it with Reliance in just over a decade. With petrochem, the time to make it to the big-time could be halved. In the space of just about five years, with the right petrochem project, an industrialist could catapult himself into the super league of Indian industry — a process that could otherwise have taken decades and dozens of projects.

Small wonder then that industrialists are rushing in for a share of the petrochem cake, icing and all.

Take Shyam Bhartia. The turnover of his group (primarily Vam Organics and India Glycols) would currently be just over Rs 100 crores. Bhartia is planning for an investment of over Rs 2,000 crores in a gas cracker at Assam (which, incidentally, is not on anyone's priority list except the Assam government's) as well as polyvinyl chloride (PVC) and monoethylene glycol (Meg) projects at Auriya in Uttar Pradesh. That investment is larger than what Reliance achieved in one decade of furious asset-building.

Bhartia isn't the only one with a dream. The upcoming Ruias of the



BIRLA ANTICIPATES A BRIGHT FUTURE

Essar group, who are just making it big with a Rs 300 crore sponge iron project at Hazira (Gujarat), have proposed to make PVC at Auriya and a lot else involving over Rs 600 crores of investment. Auriya has also caught the fancy of the Old Lady of Boribunder, as *The Times of India* is known. Bennett Coleman, the company that runs the Times and taught Indians 16-letter words like sesquicentennial, has also fallen to the charms of the 13-letter petrochemical wonderword. Just hot from the presses is news about the Old Lady's plans for a Rs 400 crore investment in low-density polyethylene (LDPE), alphaolefins and acrylic fibre.

Similarly, Karsanbhai 'Nirma' Patel, who has built a Rs 400 crore group turnover on assets of only a few tens of crores, is bidding for a Lab plant (over Rs 200 crores) to feed his mammoth surfactants empire.

Of course, the big investment proposals are coming from the bigger guns: Dhirubhai Ambani, Aditya Birla, Vijay Mallya and some public sector companies like the Indian Petrochemicals Corporation Ltd. (IPCL), the Gas Authority of India Ltd. (Gail), Hindustan Petroleum (HP), and fertiliser bigwigs like the Indian Farmers Fertiliser Cooperative (Iffco), the Krishak Bharati Cooperative (Kribhco), the Gujarat Narmada Valley Fertilizers Co. (GNFC), the Gujarat State Fertilizers Co. (GSFC) and Rashtriya Chemicals & Fertilizers (RCF), among others. (See following story, p.60.)

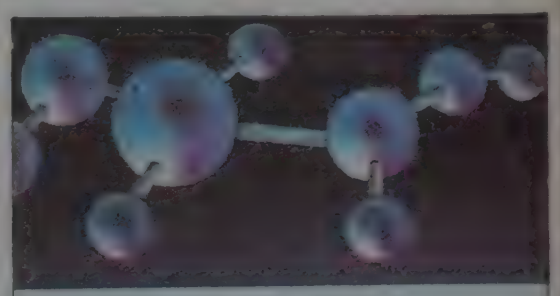
Most of these proposals are for crackers and downstream complexes.

All this flurry of activity raises a question: how sound is this private sector-led gold rush?

Senior industrialists like Basant Kumar Birla see no problems. "I anticipate a very bright future. Hence, all important industrial groups are anxious to enter into petrochemical fields," observes Birla, whose own Century Textiles & Industries Ltd. is bidding for a Rs 350 crore elastomers project in Maharashtra's Raigad district.

But the sceptics believe that the *raison d'etre* for many of the petrochem projects being bandied about may be prestige rather than profits. "The primary motivation for an industrialist (to enter petrochem) could be the glory that it can fetch. If Dhirubhai is in it, so should he," observes a seasoned industry insider. Agrees M.S. Patwardhan, vice-chairman of Nocil, a petrochem pioneer in India: "There may be a competitive element involved. Also industrial licensing being what it is, to make sure you are in the race, you have to apply."

He's not off the mark. For the Auriya downstream polymers project, for example, there are at least four contenders: the Ruias, Bennett Coleman, Shyam Bhartia and C.K. Birla of Hindustan Motors. This kind of rush would not be so worrying if the race were among industrialists with strong credentials.



The Great Petrochem Scramble could work out to be the Great Petrochem Gamble — for the players, the referee (the government) and the spectators (the Indian consumers)

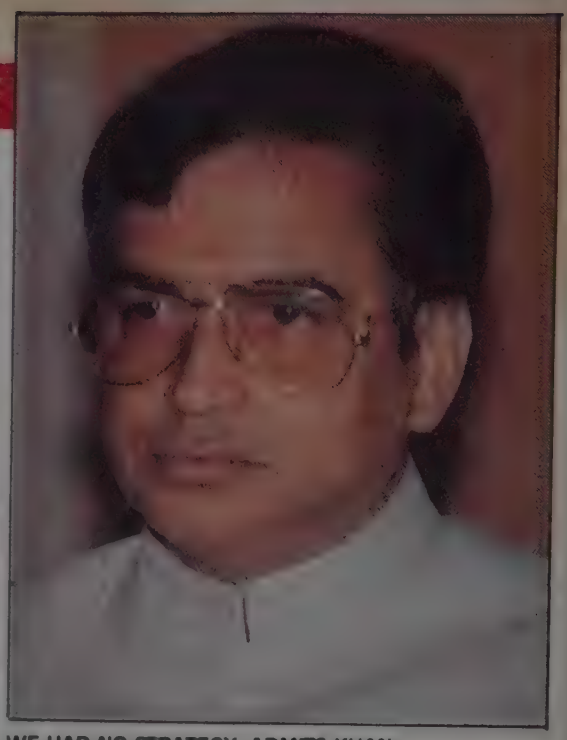
Bennett Coleman's *Times* edition in Bombay, no doubt, mints money, but that is no guarantee that a petrochem licence will be a licence to print money. "Few people analyse whether it (petrochemicals) is a high-profit area, whether they have special strengths, or can master technology," observes Patwardhan.

NEGLECTED SECTOR

The rush was, in a sense, unavoidable in view of the government's long neglect of the petrochem sector. As imports zoomed, it became obvious to most industrialists that there was a killing to be made behind high tariff walls. "Till three years back, we had no strategy; we were taking decisions in an *ad hoc* manner," admits H.K. Khan, secretary in the ministry of petroleum. It was to remedy the policy drift that the D.V. Kapur committee was set up to prepare a perspective plan for the industry.

The plan, released in late 1986, forms the basis for almost all of today's demand-supply projections. It also recommended a detailed investment list for the whole petrochem sector. However, the Kapur report was published more than two years ago. Something more was needed to spur the government into action. These were:

- The balance of payments crisis. There is a need to keep polymer imports low especially in view of the steep rise in world prices. Between 1985 and the last quarter of 1988, for example, HDPE prices more than doubled to around $1,350 per tonne. A worried government is acting fast to help create domestic capacity. The goal: 85% self-sufficiency in key polymers like HDPE, LDPE, etc. against the present 50%.
- Acute capacity shortage. Currently, there are just two ethylene crackers in operation with a combined capacity of 2 lakh tpa. A third — Abhey Oswal's Bombay cracker that was bought from Union Carbide — will resume operations later this year. The only new one on the horizon is IPCL's 3 lakh tpa gas-based plant at Nagothane, Maharashtra. As against this, the Kapur committee estimated an ethylene capacity requirement of 13.71 lakh tpa by 1995. Since it takes at least four years to set up a cracker, decisions have to be taken now.



WE HAD NO STRATEGY, ADMITS KHAN



POLYPROPYLENE PLANT OF IPCL

HOW BIG A GOLDMINE?

Petrochemicals will be money-spinners only if there are wide gaps between demand and supply for polymers like HDPE, LDPE, PVC, polystyrene, ABS, etc. Based on the current tight market conditions, it certainly looks like there is a large killing to be made. The indicators:

- Polymer imports in 1988-89 would be around 270,000 tonnes (total cost: about Rs 400 crores), of which a third each will be accounted for by HDPE and LDPE. These figures hardly reflect the real demand, which is kept depressed for want of foreign exchange.
- The landed prices of imported polymers are higher than domestic prices by about 40% owing to a general steep rise in international prices and high import duties (88% plus Rs 2,600 per tonne for LDPE and 114% for film-grade HDPE). The second factor especially allows a domestic manufacturer to make fat profits.
- Domestic supplies will lag behind actual demand for a long time (see table). And once supplies are freely available, demand growth could be faster than before.

But the above rosy picture is already beginning to fray at the edges. For three reasons.

The supply side, for one. The project proposals made so far add up to much more than the demand estimates made by the D.V. Kapur committee. And these estimates, though made in 1986, "still hold true," according to IPCL chairman Has-

THE RUSH AREAS

('000 tonnes)

	Demand (1)		Capacity (2)	
	1995	2000	Approved*	Proposed
Thermoplastics				
LDPE/LLDPE	482	708	583	600
HDPE	378	555		
PVC	485	713	254	262
Synthetic rubber	157	194	163	309
Others				
Lab	287	497	193	180
PTA/DMT	393	615	335	100

(1) Source: Report of the committee for perspective planning of petrochemical industry (1986-2000 AD)
(2) Source: BW *estimates. *Includes existing capacity*

Note: The proposed capacities are conservatively estimated. It does not include Vam Petrochemicals' proposals for downstream products at Assam.

■ Access to huge gas reserves. Even when the Kapur committee report was being prepared, few expected natural gas to play such a major role in petrochemicals. Since then, gas from the Bombay High and South Bassein fields has become available for sponge iron, power, fertilisers and even domestic use (apart from petrochemicals). A new opportunity thus beckons.

■ The resource crunch. Despite all the above factors, the new flurry in the petrochem sector would have made little news and no noise if only the public sector was handling it all. Fortunately for the private sector, the medium-term investment needs have risen beyond the scope of plan allocations or the resource generating capabilities of existing petrochemical companies like IPCL.

So a lot of projects have been shifted to the joint sector (e.g. the Madras aromatics complex, the Mangalore refinery and probably the Visakhapatnam petrochem complex).

mukh Shah.

Two, the **international prices** situation in petrochemicals is extremely volatile. Prices have been rising steeply over the past two years because of capacity closures in western Europe and North America. But Latin America (Brazil, Argentina), South-east Asia (South Korea, Taiwan and Thailand) and even Algeria are building giant polymer plants.

Petrochem experts are not sure if the industry will again see a glut soon, but if Japan and the West reopen mothballed plants, the third world, including India, will be the obvious dumping grounds. And despite high import duties, exports to India based on low marginal costs of foreign producers will be difficult to keep out.

Domestic price is the third reason. Even if imports are checked by tariff barriers, domestic producers have another worry. Beyond a certain level, demand is price-elastic. Last December, for instance, IPCL had to cut LDPE prices by Rs 2,600 to Rs 30,500 per tonne to boost offtake.

And stockmarket heroes like Dhirubhai Ambani can even swing projects (like the Hazira complex in which the Gujarat government was interested) totally into the private sector. Says D.V. Kapur: "The private sector can do it (resource-raising). Ambani has done it. Of course one should ensure that they compete with each other."

For the moment, though, much of the competition is for grabbing the projects. The scramble is on at two levels — for the mother cracker plants and for the downstream units. Consider crackers first, which produce ethylene. "Ethylene is the workhorse of petrochemicals," says Subrata Ganguly, the brilliant petrochem technocrat who turned IPCL into a frontranking industrial unit. (He is now CEO of cement company ACC). "It makes the maximum contribution to the business." Some 50%-55% of a cracker's output is ethylene, which yields the basic building blocks for commodity plastics like PVC, polyethylene and other polymers (see process chart p.54).

The ethylene requirement in 1995 is projected to be 13.71 lakh tpa, rising to 20.23 lakh tpa by 2000. Given present installed and sanctioned capacity of 10.8 lakh tpa (see table p.56), the implication is that there is scope for only one additional cracker till 1995 (i.e. in the eighth plan period of 1990-95) and two more till the end of the century.

ELECTION YEAR

In this scenario, it's easy to see that the primary goal of those in the race will be to push their projects up the priority list, if one exists. In doing so, the have to reckon with a vital factor: this is an election year. Says Patwardhan of Nocil, whose application to expand ethylene capacity has been pending with the government for four long years now: "The proposals (for crackers/petrochem complexes) seriously being considered for the eighth plan are Haldia, Madras and Visakhapatnam. One hears about Auriya (in UP) too. But then these priorities can change. There could be a cracker at Punjab, for instance," he notes.

"The government has to exercise fine judgment to avoid either a near-monopoly or overcapacity. Proper spacing of these large investments is important," says Subrata Ganguly. Is

PETROCHEM PRIMER

Petrochemical products, as the name suggests, are primarily derived from petroleum or similar organic compounds like natural gas. But this definition is too wide. Urea, for instance, is also derived from a petroleum product — naphtha — but is excluded from the category. Fertilisers are an independent class of "petrochemicals."

For a more accurate idea it's better not to start at the beginning but a few steps further down the line. The key that unlocks the door to the petrochem world is a "cracker."

A cracker feeds on naphtha, liquefied petroleum gas (both products of refineries which process crude oil) and natural gas — either in gaseous or in condensate form. A cracker's job is to crack, split or "fractionate" the hydrocarbon compounds into various olefins — ethylene, propylene and butadiene, in that order of importance. All products derived from these three basic building blocks are petrochemical products.

Narrow definition. But this time the definition is too narrow. Naphtha and liquefied petroleum gas can also yield a second stream — benzene, toluene and xylene — which are commonly referred to as aromatics. Xylene leads to PTA (purified terephthalic acid) and DMT (dimethyl terephthalic), which in turn go into the making of polyester fibres and yarns. There is also a third stream possible from another refinery product — kerosene — which leads to n-paraffins. Used with benzene, n-paraffins yield linear alkyl benzene, a key input for detergents.

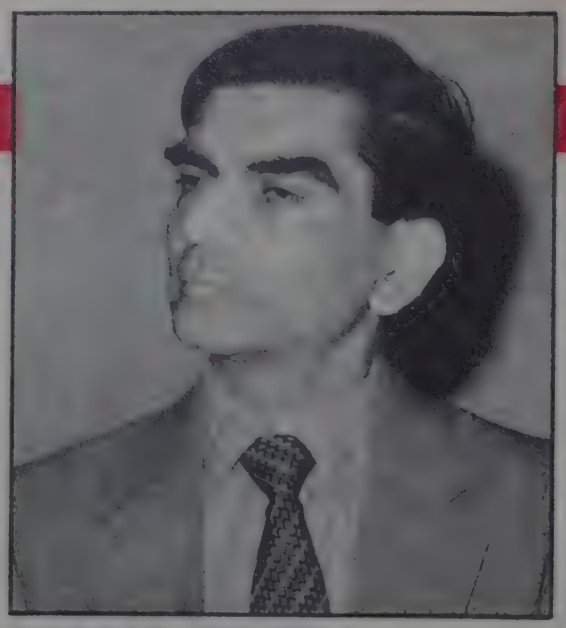
But the queen bee of the pack is undoubtedly ethylene, which is why industrialists are going crackers over the idea of grabbing a cracker before the supply runs out. Ethylene offers the route to high volume commodity plastics — polyethylene (HDPE, LDPE), PVC, styrene — and synthetic rubber (see petrochem process flow chart, p.54). These ultimately find their way into the ballpen you write with, the soles of your footwear, the bucket in your bathroom, the casings of your audio and video equipment. In the West, automobiles are studded with commodity plastics. Automobile tyres and tubes are fashioned out of synthetic rubber.

a government subject to election-year pulls and counterpulls up to the task?

Its track record doesn't inspire much confidence. Industrial licences in many key areas have come either in driblets or in torrents in the past, leading to either overcapacity (PSF — polyester staple fibre, Lab, two-wheelers) or shortages (caprolactam, paraxylene, PTA — purified terephthalic acid and, of course, commodity plastics).

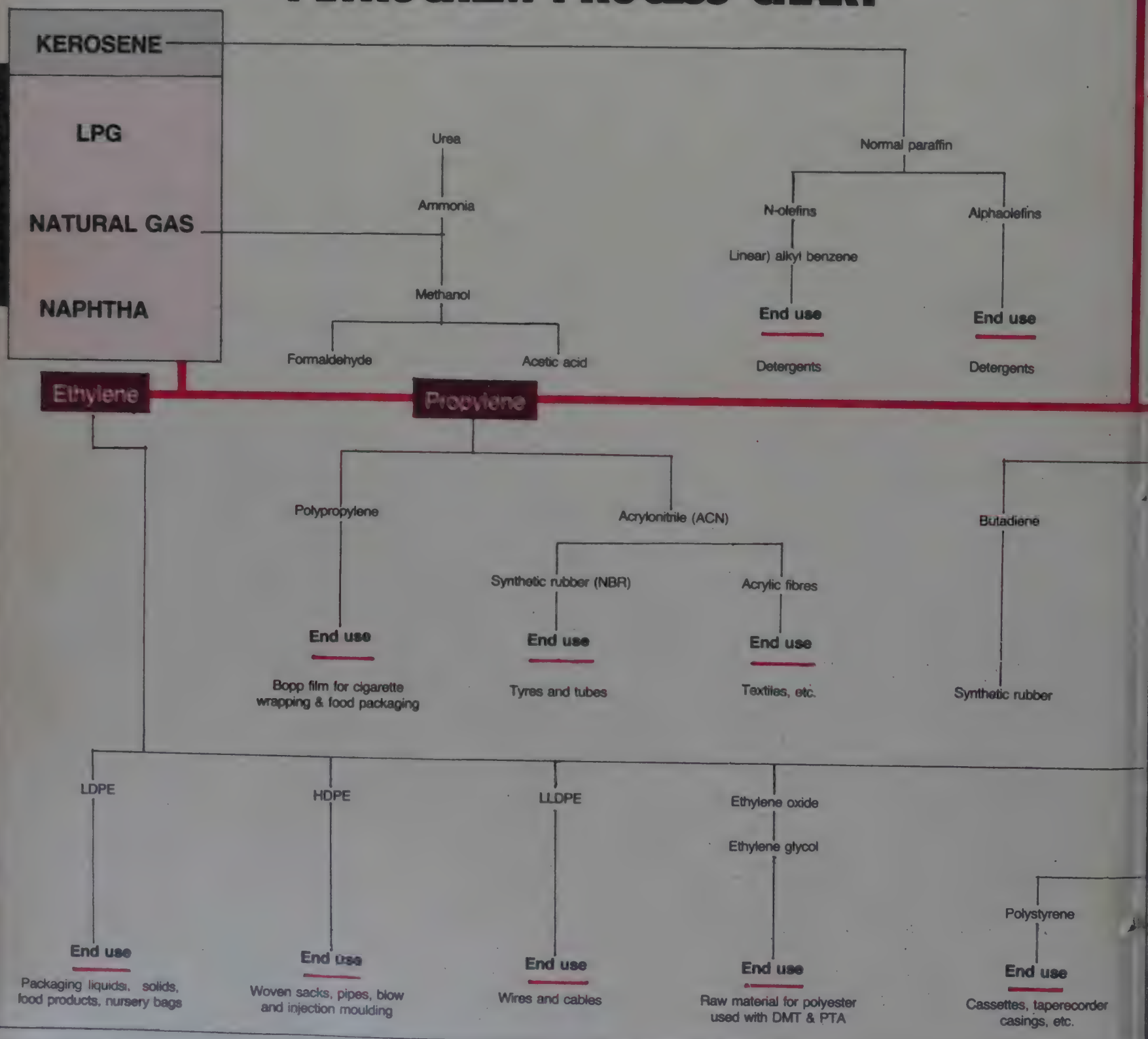
Can the same happen in the case of ethylene? "If decisions are strictly based on economic judgment, it may not," says Ganguly. "But often several non-economic factors impinge: chauvinism, patronage, state-centre politics. This is an election year..."

Already, each of the factors mentioned by Ganguly has come into play. For instance, the earliest cracker proposal made is the one that may actually never come up: Haldia. In the bitter political tug-o-war between the West Bengal government and the



SHAH IS BULLISH ABOUT DEMAND

PETROCHEM PROCESS CHART



Centre, the Haldia project may be torn to shreds.

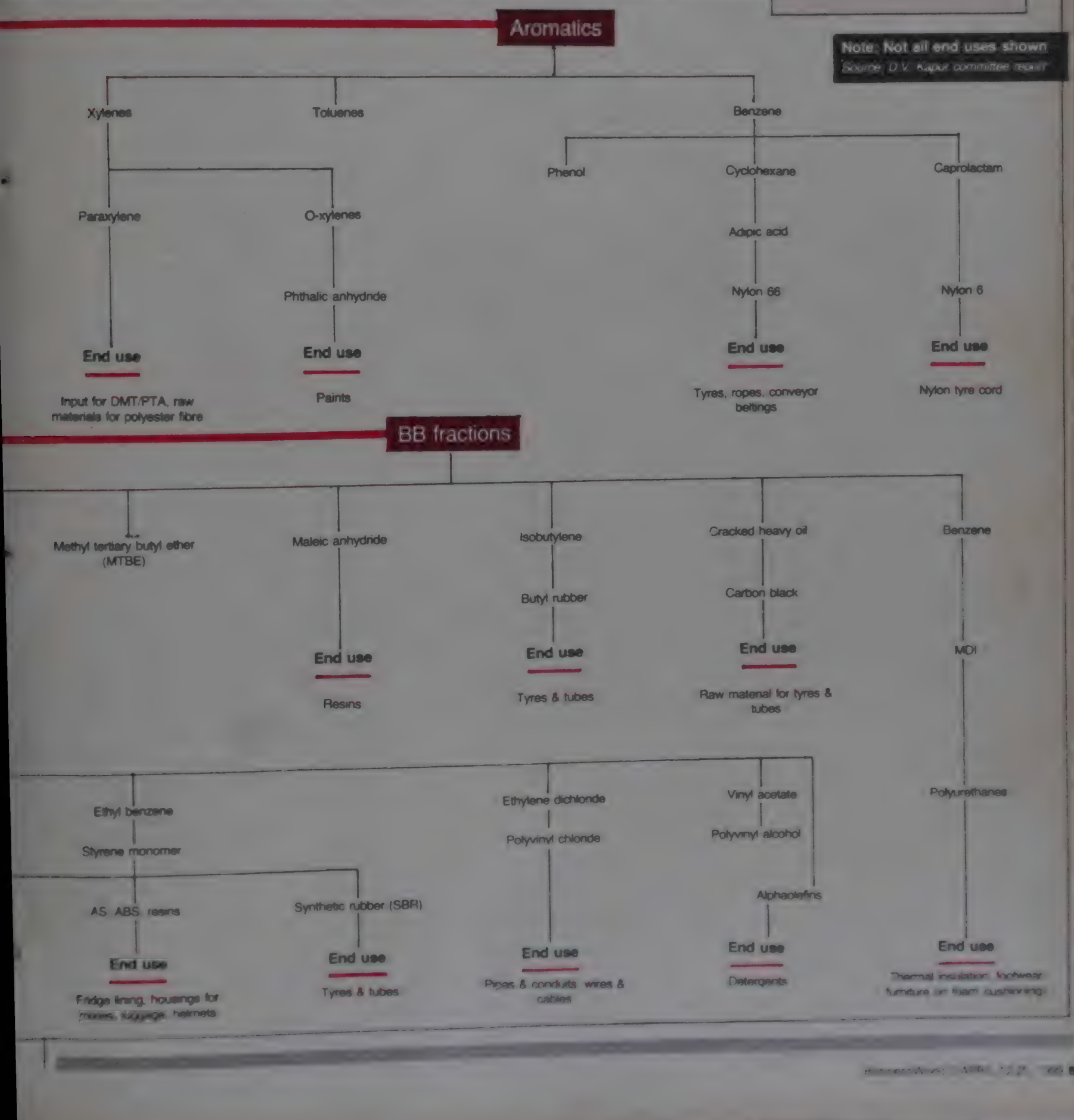
The threat to these projects comes not because they are economically unjustified, though there is that also. Says Khan, the petroleum secretary: "The (decision on the) Haldia project is not a final no. They were refused because of the uneconomical project-mix." The only problem is that even as these projects are reworked, others may be flagged off, forcing these to slip into the ninth plan (1995-2000).

The Auriya cracker, for instance, is being heavily favoured by the government. It's barely a year since the project was conceived, but the cracker has attracted bids from IPCL, C.K. Birla and Gail. If Auriya is cleared (it is in UP, the state with the largest Congress-I vote bank), then no other project may be cleared for the eighth plan. In fact, Planning Commission member Abid Hussain, who is looking into the matter, is said to be in favour of freezing the Visakhapatnam

ABBREVIATIONS

LPG-Liquefied petroleum gas
Bopp-Biaxially oriented polypropylene
LDPE-Low density polyethylene
HDPE-High density polyethylene
LLDPE-Linear low density polyethylene
DMT-Dimethyl terephthalate
PTA-Purified terephthalic acid
AS-Acrylonitrile styrene
ABS-Acrylonitrile butadiene styrene
SBR-Styrene butadiene rubber
NBR-Nitrile butadiene rubber
MDI-Methyl diphenyl di-isocyanate
BB-Butylenes & butadienes

Note: Not all end uses shown
Source: D.V. Kapur committee report



and Mangalore projects.

Cracker aspirants who fail to get one in the eighth plan may either look forward to the ninth or try the second option — bid for downstream units. But here the biggest problem is that those who get the cracker may refuse to give up downstream units (Reliance has set a precedent at Hazira).

But whoever does ultimately get the downstream units, one growing worry will be to find enough demand for each of the products (polyethylenes, styrene, etc.) sought to be manufactured. The potential supply-side picture is just too easy compared with demand estimates made by the Kapur committee (see box p.52).

However, these demand-supply imbalances may be greatly influenced by the government's own fiscal policy (an unreasonably high excise structure may kill demand, as it happened in the case of polyester staple fibre — PSF), and the ability of producers to create a market. Says Ganguly: "Purely in terms of potential, the Indian market is underestimated. As long as we have responsible pricing and a proper spread of investment, there should be no problem. But if the government gives in to the current rush, there could be overcapacity."

Reliance, which has seen overcapacity wipe out its profit margins in the case of Lab and PSF, is certainly worried. However, IPCL chief Hasmukh Shah takes a bullish view. "Not all the (petrochem) projects will come up at the same time. Besides, import-dependent demand can be misleading. We just don't have a clear idea of the potential. It (demand) can just explode. I had a chat with Dr V. Kurien (of the National Dairy Development Board) a few weeks ago. Their programme alone would require 50,000 tonnes of LDPE for milk packaging. Then there are packaging requirements for foodgrains and cement. The telecom segment (and therefore demand for cables) is certain to expand."

Shah's optimism is, perhaps, based on IPCL's big lead in the petrochem race as of now. "We know the game," he says. But there is no way a new player can visualise the game five years hence, for the rules could change. Is there a danger that today's boom area will become tomorrow's doom site?

As with many other industries, the fortunes of the petrochem players will be fashioned in a big way by the government. That is one reason why ICI plc, parent company of IEL (formerly Indian Explosives Ltd.) asked its ward to steer clear of petrochemicals (see *BW* 15-28 March, 1989, p.62). But for those undeterred by the heavy hand of government, it would be a useful exercise to watch developments on the following five fronts.

■ **Project spacing**. "The crucial thing is to avoid a bunching of projects," say both Patwardhan and Ganguly. Petroleum secretary Khan echoes the same view. In fact, the government has set up a committee to recommend advance action on the petrochem projects so that the country can avoid gluts and shortages.

■ **Funding**. Petrochem projects are huge money guzzlers. A 1 lakh tpa PVC project at current prices would cost about Rs 140 crores. And a whole complex over Rs 2,000 crores. Most of the funding needs will be met by borrowings — from the government and the public. "The banks, financial institutions and the controller of capital issues can play a crucial role," says N.M. Dhuldhoya, managing director of Polyolefins Industries Ltd. In fact, projects that can find resources more easily will get a priority (see Offstage, p.120).

■ **Demand creation**. The offtake of polymers will boom, as it has in the West, only if it becomes a cheaper and a better substitute to traditional materials like glass (LDPE for milk packaging), wood (HDPE for wooden chairs), paper (HDPE boxes) and wool (acrylic fibre). To what extent these are substitutable depends on the relative fiscal levies. The government, for instance, wants to replace wooden chairs with plastic ones (to reduce tree felling). But while polymers attract excise duties ranging from 70% to 240%, the duty on timber is just 15%. The government can even suppress natural demand growth. When HDPE offtake boomed in the mid-eighties following high demand for woven sacks, the government passed an order forcing cement and fertiliser units to use jute sacks in a certain proportion

■ **Protectionism**. The example of polyester yarn shows what import tariffs can do to a company's balance-sheet. Reliance's initial good profits came from selling its yarn at seven to eight times the international price behind high tariff walls. At one time, the duty structure on imported yarn was 225% of customs duty, Rs 83.75 per kg of countervailing duty and Rs 15 of anti-dumping duty. Enough to allow even inefficient producers to spin money. But a duty reduction — following intense lobbying by user industries — can easily upset the apple-cart — as it did in Reliance's case.

■ **Guaranteed rate of return**. The would-be petrochem producers are already asking for guaranteed profits — a possible 12% post-tax return on investment as in the case of fertiliser units. However, the Bureau of Industrial Costs and Prices is against this.

With so many imponderables to contend with, the Great Petrochem Scramble could yet work out to be the Great Petrochem Gamble — for the players, the referee (the government), and the spectators (the Indian consumers).

Debashis Basu & Alam Srinivas

WHO'LL GET THE AXE?

Ethylene Capacities

	(Lakh tonnes per annum)
Approved capacities	
IPCL Vadodara	1.3
IPCL (Maharashtra)	3.0
Reliance (Hazira)	3.2
NOCIL	0.6
Proposed	
IPCL (Vadodara and Maharashtra)[1]	2.7
Auriya	3.0
RPG-Linde (EOU, Madras)[2]	1.1
Vizag	2.5
Oswal[3]	1.0
Nocil	2.4
Mangalore	2.5
Haldia	1.4
Assam	3.0
Total potential supply	**27.7**
Ethylene demand	
1995	**13.71**
2000	**20.23**

The new capacity proposed has been ranked in a descending order of priority as per *BusinessWorld's* information.

(1) IPCL plans to increase its capacity at Vadodara to 3 lakh tpa and at Maharashtra to 4 lakh tpa.

(2) The RPG-Linde project can sell 25% of its 4.5 lakh tpa capacity in the domestic tariff area.

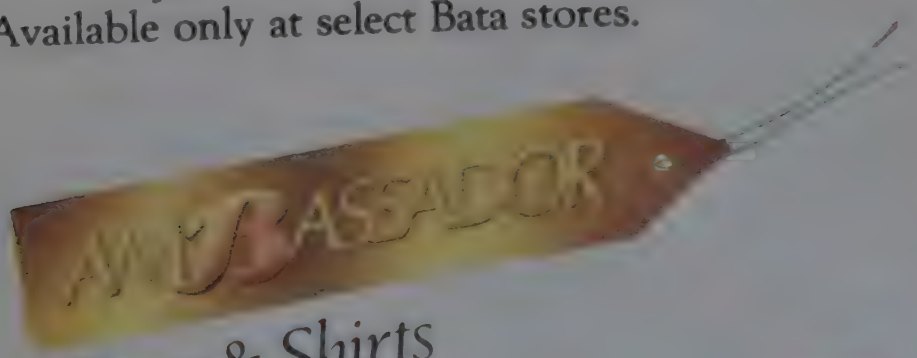
(3) Oswal's proposal is for increasing ethylene capacity at Rishra (West Bengal) and Chembur (Bombay) plants, earlier owned by IEL and Union Carbide respectively.

Source: BW compilations.

ANNOUNCING THE ARRIVAL OF THE NEW AMBASSADOR



The new range of shirts and all-leather shoes from Bata.
Elegant. Dignified. Not expensive.
Just rich in style!
Available only at select Bata stores.



Shoes & Shirts

Bata

TSAC-AMB-1



He never lets me give him expensive presents.
Anyone with money can buy them, he said.
Write me a poem instead.

DIGJAM

Super Suitings for the Connoisseur

Product of VXL India Ltd.
WE EXCEL

Available at Mill's SUMANGAL showrooms



THE PETROCHEM PLAYE

In the petrochemicals game, the rules are not so important as the players and their gambits. Reason: the stakes are too high. The winners get to take almost all, and the also-rans get poor consolation prizes. As the petrochem excitement builds to fever pitch, *BusinessWorld* takes a look at the key players and their gameplans — past and present.

Topping the list is the public sector **Indian Petrochemicals Corporation Ltd.** (IPCL). This 15-year-old company is by far the largest petrochemical company in India (1987-88 turnover: Rs 894 crores). Its 1.3 lakh tonnes per annum (tpa) naphtha cracker at Vadodara (formerly Baroda, in Gujarat) produces a whole range of polymers. Coming up fast under its wings is a gas cracker complex at Uran, Maharashtra. It is a world scale plant (capacity: 3 lakh tpa of ethylene, to be raised to 4 lakh tpa) that will help IPCL consolidate its current lead in petrochem.

By the end of the eighth plan, IPCL will be at least twice as large as the second largest petrochemicals company. To maintain this competitive muscle, it is upgrading its capacity at Vadodara from 1.3 lakh tpa to 3 lakh tpa and is hotly bidding for the proposed gas cracker at Auriya (UP), and a naphtha cracker at Visakhapatnam (AP) in a teamup with Mitsui of Japan.

Giving IPCL a run for the top spot in the long run will be the *bete noire* of Indian industry: Reliance Industries Ltd. (RIL) and its superstar chairman **Dhirubhai Ambani**. In its second round of empire building, Reliance has pulled off its biggest coup ever — a clean sweep of the gas-cracker-cum-petrochemical complex at Hazira in Gujarat. Reliance's interest in petrochemicals dates back to 1984 when it drew up plans to set up manufacturing facilities for Meg (monoethylene glycol) and PTA (purified terephthalic acid), and later Lab (linear alkyl benzene), paraxylene, PVC (polyvinyl chloride) and HDPE (high density polyethylene).



& THEIR GAMEPLANS



Ambani's initial strategy was backward integration: from polyester filament yarn and staple fibre to raw materials PTA and Meg and further back into paraxylene — an input for PTA. The foray into HDPE and PVC is, however, driven purely by the profit motive — both the products are high-volume import substitutes. Behind high import barriers, they can be money spinners.

SOLICITOUS HANDHOLDING

In a re-run of his success story in synthetic fibres, Ambani's bid for petrochem stardom is backed by solicitous governmental handholding. The government has acceded to almost all his requests, including some that defy logic. And, to cap it all, it is handing down a cracker-cum-petrochem complex in record time, overriding claims from earlier — and equally strong — contenders. Consider:

- The Meg plant was originally to come up at the Patalganga complex in Maharashtra. For this project, Ambani raised money at least thrice, got the licence transferred from RIL to Reliance Petrochemicals Ltd. (RPL) and the location shifted from Maharashtra to Gujarat, from where Meg will have to be carted back to Patalganga to make synthetic fibres. The government acquiesced even as project costs more than doubled.
- In PTA and paraxylene, Reliance has effectively cobbled together the country's first private sector aromatics complex. And how! In October 1984, it got a letter of intent to make PTA from paraxylene, but within weeks ended up tying up all arrangements to make paraxylene from **Bharat Petroleum's** (BP's) naphtha. And since naphtha yields not just paraxylene, but also benzene, Reliance gets control of another vital ingredient for a major product — Lab.

The Ambani gameplan is thus clear: one, get two products (paraxylene and benzene) at cheaper cost and without encountering the hassles of licensing; two, spike BP's own plans to make paraxylene, and three,

get a firm grip on the Lab market which has hotted up with the advent of Tamilnadu Petroproducts, a Spic affiliate.

■ In PVC and HDPE, Reliance Petrochemicals becomes the first company in India to set up an ethylene-based downstream unit without a cracker (as yet). It will use imported ethylene. That's intriguing, because several other petrochem proposals (including Reliance's vinyl acetate monomer and alphaolefins projects), have been shot down on the ground that the ethylene source had not been tied up.

■ It is, however, the Hazira gas cracker that ranks as the biggest coup of Ambani's life. Reliance grabbed this project from a powerful combine —



Giving IPCL a run for the top spot is the *bete noire* of Indian industry — Dhirubhai Ambani. He has pulled off his biggest coup ever by making a clean sweep of the Hazira gas cracker and petrochem complex

Gujarat Narmada Valley Fertilisers Co. (GNFC), Gujarat State Fertilizers Co. (GSFC) and Gujarat State Petrochemicals Corporation Ltd. (GSPCL). The last-named company was, in fact, set up about 11 years ago specifically to make the gas cracker proposal fructify.

The seize-n-grab over, Reliance then set about removing the other hurdles. The letter of intent for the cracker issued by the Secretariat of Industrial Approvals (SIA) carried a rider: 50% of the 3.2 lakh tpa of ethylene output was to be reserved for other downstream units. If implemented, this would have meant that RPL could not make anything other than PVC, Meg and HDPE since these alone would consume 2.25 lakh tpa of ethylene. Other ethylene-based products like styrene or linear LDPE or propylene-based items like acrylonitrile and synthetic rubber would go to the other contenders like GSFC, GNFC, etc.

Undaunted, Reliance put in applications for all these downstream products. And, sure enough, the Projects Approval Board (PAB) green-signalled all of Reliance's ethylene and propylene-based proposals.

SIGNS OF TROUBLE

Ambani's quest for dominance in petrochemicals spells trouble for rival aspirants. The signs are already there. For example, in PTA, Reliance is defending its monopoly status by fighting tooth and nail JK Synthetics' application for the Saleempur aromatics complex. It fought — but lost — another indirect contest with Spic which has just bagged an aromatics project at Madras. In a last-ditch effort to control as much PTA capacity as possible, Reliance has proposed a 100% export-oriented PTA unit of 1 lakh tpa capacity. As per the current regulations, 25,000 tpa of this could be sold in the domestic market.

The skirmishes extend to paraxylene, a key raw material for both PTA and DMT. First it was arch-rival Bombay Dyeing, whose proposal to make paraxylene for its DMT production was rejected. Then BP's proposal, pending since 1980, got stalled.

BP is still hopeful of setting up a 108,000-tonne paraxylene plant at its refinery complex in Bombay. The loser in that case will be Reliance, because BP will not have enough surplus naphtha for Reliance's paraxylene plant. Easy to see what Reliance's reaction is.

Sharing the saturated Lab market with two other producers (IPCL and Tamilnadu Petroproducts) is bad enough. But the possible entry of three equally big players (60,000 tpa capacity each) must be unbearable for Dhirubhai Ambani. Hindustan Lever, Nirma and Straw Products may, therefore, be learning their most crucial lessons in business lobbying. But at least in this case Ambani may have to settle for a draw.

Reliance's interest in HDPE and PVC puts it in direct conflict with **Arvind Mafatlal's** National Organic Chemicals Ltd. (Nocil, which makes PVC) and Polyolefins Industries Ltd. (PIL, which makes HDPE). The delays in clearing Nocil's ethylene capacity expansion, to which is linked PIL's own expansion plans, benefits Ambani the most.

More crucially, such calculations centre around the future ethylene capacity. The projected ethylene shortage in the eighth plan period (1990-95) would be around 9 lakh tpa. This means there is scope for just three crackers till 1995, given a minimum economic capacity of 2.5-3 lakh tpa per cracker. Having bagged the Hazira cracker, Reliance would not like more than two others to come up. The Auriya gas cracker is likely to be cleared soon. It is thus in Ambani's interest if Nocil's expansion plan and the Haldia cracker in West Bengal either get killed or postponed to the ninth plan.

GRANDIOSE PLAN

If Reliance gets its way, the decks will be cleared for an even more grandiose plan. A 6 million tonne refinery to come up at Bharuch (Gujarat), initially proposed by BP, has caught Reliance's fancy. Nobody's offering long odds on Reliance's ability to wrest the refinery à la the Hazira cracker.

The Ambani ambitions have the worst implications for industrialist Arvind Mafatlal, a one-time frontrunner who may be reduced to also-ran status in the great petrochem race. Mafatlal's Nocil is one of the three companies in India with a cracker, and its 0.60 lakh tpa ethylene plant is only second in size to IPCL's 1.3 lakh tpa one. Nocil's proposed capacity hike to the 2.5-3 lakh tpa range has been pending for the past four years. The hurdle: environmental clearance.

Nocil's plant is located in Thane, Bombay's industrial suburb. Reliance-bashers, of course, see Ambani's fingerprints on this. Not without

reason. If Nocil's expansion is blocked, Reliance, whose interests clash with those of Nocil (in PVC) and Polyolefins (in HDPE), gains the most.

A senior Mafatlal executive seemed to suggest that the environmental question was all bunkum, when he talked to *BusinessWorld*: "Why don't you study the wind directions in Hazira (where Reliance's petrochem complex is coming up) and see how it affects Surat, which is already bursting at the seams?"

For the record, however, the Mafatlals express confidence that the expansion plan will come through. If it does, Nocil's will perhaps be a lower-cost operation because a lot of its fixed assets have been depreciated over the years. Ditto for another Mafatlal company, Polyolefins Industries Ltd., currently the sole producer of HDPE. PIL plans to double its HDPE capacity to 1 lakh tpa.

In marked contrast to the current rush to get into high volume commodity plastics — LDPE, HDPE, PVC — PIL's strategy is to make low-volume, high-tech products (like engineering plastics) that offer fatter margins. It holds a letter of intent to make chlorinated polyethylene (600 tpa), ethylene propylene monomer (10,000 tpa) — both at Thane — polyacetals (5,000 tpa) at Bharuch and alloys, blends and a sandwich of composites (10,000 tpa) at Akola (Maharashtra). Already under implementation at Thane is an ethylene vinyl acetate polymer (6,000 tpa) project.



RPG BACKED THE WRONG HORSE

The strategy of PIL — in which Hoechst, one of world's top three chemical companies, has a 31% stake — is in tune with the current worldwide trend of chemical giants shifting out of bulk chemicals into speciality products. But obviously there is a lot of money to be made in commodity plastics in a country which is perennially starved of such products. Is PIL's long-term strategy too long-term?

DEPRESSING SPECTACLE

If Ambani's dash for dominance presents a depressing spectacle for Mafatlal, for consolation he can always turn to **R.P. Goenka** (RPG), another petrochemical hopeful who has been running fast to stay in the same place.

RPG was one of the earliest aspirants to the petrochem jackpot. Only, he backed the wrong horse: Haldia Petrochemicals. The project, conceived in late 1976, is at the heart of a political battle between a Congress(I)-ruled Centre and Marxist-ruled West Bengal. In September 1985, RPG stepped into the crossfire and three years of painstaking negotiations later, seems to have thrown in the towel. Meanwhile, the concept of an economic size for crackers has changed, and Haldia's 1.4 lakh tpa ethylene capacity doesn't fit the bill.

The upshot: not only have Goenka's efforts in the past so many years gone down the drain but he has also lost valuable time during which other super league industrialists have staked claims for the two or three crackers and two aromatics complexes to come up in the eighth plan.

RPG, of course, has a small petrochem project on his drawing board: a 30,000 tpa styrene butadiene rubber (SBR) plant for which group company Ceat Tyres received a letter of intent in July 1984. Unfortunately, SBR will perhaps be the most crowded area in the near future (see p.53), which is perhaps one reason why RPG may have to go even slower on the project. But, in any case, it is too puny for Goenka's ambitions. In the petrochem world of the nineties, the status symbol will not be some small downstream daughter plant but a mother cracker. And there aren't many crackers going where RPG can easily dislodge the frontrunners. To get back to centrestage, he has unveiled an interesting strategy: set up a


WILL ARVIND MAFATLAL BE AN ALSO-RAN?

100% export-oriented unit with Linde AG of West Germany. The advantages for Goenka are multiple. Among them:

- Speed. He would know quickly whether he can commit resources or not. EOU proposals are supposed to be decided upon within 90 days. The Linde proposal has apparently got a tentative green signal.
- Toehold. An EOU can sell 25% of its output in the domestic tariff area. This gives Goenka a domestic ethylene capacity of around 1 lakh tpa. Not a bad start for someone who would have had to go without a cracker at least till 1995.
- An alternative outlet. If finally cleared, the EOU will make Goenka the only industrialist with a presence in the international petrochem map. The project may be highly profitable too if the current high prices of ethylene hold up when the plant comes on stream, hopefully by 1992. The EOU route also means that Goenka can partly avoid the roadblocks of a centralised planning system that allows only projects identified in the five-year plans to come up. The EOU is an express bypass in the great petrochem race.

One industrialist who has definitely got a good start in the race is **Vijay Mallya**. In the private sector pecking order, Mallya will probably emerge second only to Ambani. He has floated UB Petrochem Ltd to bid for a Rs 1,400 crore naphtha cracker-cum-downstream complex at Visakhapatnam (AP) that will produce 2.5 lakh tpa of ethylene and 1.1 lakh tpa of propylene among other things. In a very Ambani-ish move, Mallya has made a lunge to grab the downstream units as well through three group companies: Herbertsons has applied



MALLYA COULD BECOME ONE OF THE BIGGEST PLAYERS

for a 100,000 tpa alphaolefins capacity, Phipsons for 1.35 lakh tpa of HDPE/LLDPE, and McDowells for 80,000 tpa of SBR.

Interestingly, while crackers and downstream units at other locations are attracting multiple applications, for the Visakhapatnam project only JK Industries has applied for a 60,000 tpa HDPE capacity and Modi Rubber for 25,000 tpa of butyl rubber. JK's application is, in fact, very half-hearted. The location mentioned is "either Visakhapatnam or Mangalore or any other location as may be proposed by the government." Linde's 100% EOU proposal (with RPG) has also been hastily shifted from Visakhapatnam to Madras. The only other contender is a joint IPCL-Mitsui proposal that envisages a Maruti-style company.

However, IPCL is making a stronger pitch for the Auriya cracker, which is likely to get the nod ahead of Visakhapatnam. So Mallya clearly is on the inside track. Says a senior executive of the Essar group: "We did not put in applications for Visakhapatnam because Mallya seems a certain winner."

Unlike some others, Mallya already has a finger in the petrochem pie. Group company Hindustan Polymers makes styrene; to consolidate its position (the only other producer is Polychem), it is hiking its capacity from 10,000 tonnes to 18,000 tonnes. This product-segment too could turn out to be very crowded very soon.

Besides styrene, Mallya has a licence to make butyl rubber, which he inherited when he bought up VBC Chemicals. This project could now be implemented by UB Elastomers. Says an industry expert: "Don't underestimate Mallya. He could turn out to be one of the biggest players." Those in the know, already know that. There is just one snag: Visakhapatnam is in Andhra Pradesh, an opposition-ruled state. If the Haldia Petrochem story has a moral...

SOLID EDIFICE

But if Ambani, Mallya and RPG have been the most-talked about petrochem players, it is **Aditya Birla** — as keen an empire-builder as the other three — who is putting together a solid petrochem edifice that starts not with a cracker but even earlier — a refinery. Alongwith **Hindustan Petroleum** (HP), Birla-controlled Indian Rayon is setting up a refinery at Mangalore — initially with a 3-million-tonne crude throughput capacity.

Mangalore Refineries and Petrochemicals Ltd., as the joint sector company is called, will have the first integrated petrochemical complex in the country. However, MRPL stops at the ethylene (2.5 lakh tpa), propylene (1.10 lakh tpa) and butadiene (0.40 lakh tpa) stage, leaving the downstream facilities based on these (see process flow chart, p.54) up for grabs.

The strongest contender should be Aditya Birla himself. Indian Rayon, say HP sources, has applied for them already (HP is not in the running). Birla's first attempt to enter petrochemicals was a bid for the Saleempur aromatics complex. The Mangalore complex has attracted few applications because it will take several years for the refinery to come up.

Industrialists in the petrochem sweepstakes speculate that the refinery may be delayed. Karnataka, like Andhra Pradesh and West Bengal, is opposition-run. Will Aditya Birla then relive RPG's fate?

Time will tell, but meanwhile other Birlas have also entered the fray. **B.K. Birla's** Century Textiles and Industries Ltd. is interested in a Rs 350 crore elastomers (mainly synthetic rubber) complex at Raigad, Maharashtra, that will also make 60,000 tonnes of MTBE (methyl tertiary butyl ether). The letter of intent is held by the Maharashtra Petrochemicals Corporation Ltd. (MPCL). To get it, Century will have to first fend off bids by **Ashok Birla's** Zenith and Rashtriya Chemicals & Fertilisers, which are also gunning for a piece of the same action.

C.K. Birla, who runs Hindustan Motors, has also joined the petrochem rally. It could turn out to be too ambitious. Group company Hyderabad Industries Ltd., has staked a claim to the gas cracker complex that is to come up at Auriya. That pits it against at least IPCL and/or the Gas Authority of India Ltd. (Gail). The project cost is a hefty Rs 2,100 crores.

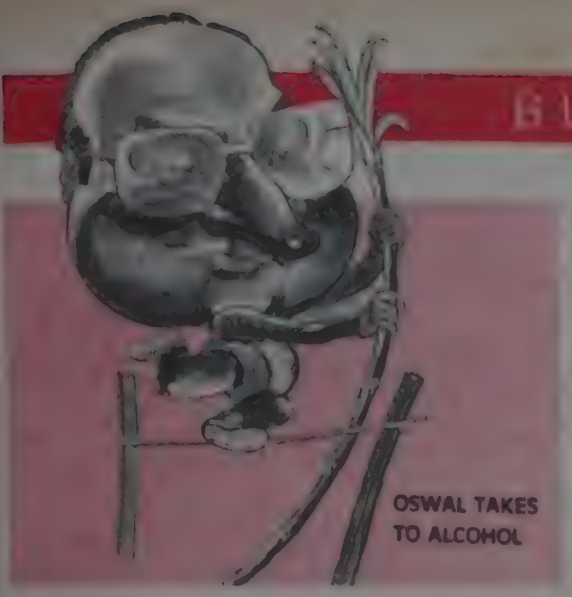
There have been no other private sector bids for the Auriya cracker so far.

Also conspicuously absent from the race for crackers are the **Singhanias.** Brothers Gaur Hari and Govind Hari Singhania are instead concentrating on the aromatics complex at Saleempur, the first petrochem complex proposed in the seventh plan. This Rs 900 crore project is widely expected to fall in their laps, ending three years of tortuous wrangling during which the project first slipped out of the joint sector, then out of IPCL's hands and finally became the cause of a straight fight between Reliance and JK Synthetics of the Singhanias.

As the battle hotted up in mid-1988, JK launched a strategic counter-offensive. It made a bid for a host of propylene-based products at Hazira where Reliance's petrochem complex is coming up. (They could not bid for ethylene-based products because Reliance is already setting up HDPE, PVC and Meg plants that would use up 65% of the ethylene.) The move seems to be paying off in an election year when the government is keen on dividing the dollops. In the process,



ADITYA BIRLA HAS A LOT GOING FOR HIM



the Singhanias have also seen off a sudden threat from **Lalit Thapar**, who brought forth a Soviet tieup with the USP of a rupee-financed project.

In bidding for Saleempur, the Singhanias have adopted Ambani's strategy of having captive raw material capacity. The aromatics complex will produce 1.5 lakh tonnes of PTA to be used by JK Synthetics and Orissa Synthetics. It will also produce benzene, used for making Lab. Group company Straw Products has applied for a 60,000 tpa Lab plant at the same site. However, if **Nirma Chemical Works**, which is vying for a Lab plant at Visakhapatnam, gets the nod earlier, Straw Products will go slow. Here too the Singhanias are crossing swords with Ambani, who wants the government to freeze Lab capacity.

Down south, **A.C. Muthiah**, chief executive of Southern Petrochemicals Industries Corporation (Spic), has got off to a fast start. It has bagged the Rs 800 crore Madras aromatics project (along with Madras Refineries Ltd.) against little competition and with interests in PTA, paraxylene, Lab and detergents, Spic resembles Reliance.

Spic's strategy appears to be integration. Spic-promoted Tamilnadu Petroproducts, which makes Lab, plans to start making 30,000 tonnes of detergent powder and cake for which Lab would be the raw material. Lab itself is derived from n-paraffin and benzene. And benzene is a key output of the aromatics complex.

One reason why Spic has had a relatively easy ride so far is Muthiah's political connections which, like Reliance's, are formidable. Spic was at one time run by S. Venkitaramanan, till recently the Union finance secretary and a key bureaucrat in the post-V.P. Singh setup. Venkitaramanan is now economic advisor to the prime minister. Is Muthiah then in with a chance for a few mega projects?

Abbey Oswal — an Ambani clone in terms of stockmarket operations and finance-raising abilities — is unique among the petrochem players. He shuns the naphtha/gas cracker route and plans instead to make polymers from alcohol which in turn is derived from molasses and sugarcane.

Oswal is the second private sector industrialist in India to own a cracker (Union Carbide's 20,000 tonne ethylene plant in Bombay) and some downstream capacity (LDPE plants formerly-owned by Union Carbide and IEL in West Bengal). However, in his haste to buy these two plants, Oswal may have miscalculated. The West Bengal plant used to remain closed at least four months each year due to irregular supplies of feedstock — alcohol. Oswal's initial gambit was to cart the plant out to Noida near Delhi, but the West Bengal government put paid to those plans. Oswal may now have to look for a captive alcohol source.

GRANDER PLAN

The naphtha cracker at Chembur (Bombay) is planned to be upgraded to yield 1 lakh tpa of ethylene. Expansion at crowded Chembur may invite objections from green-minded citizens and profit-minded industrialists keen on perpetuating an ethylene shortage, but Oswal has a grander plan up his sleeve: a 12 lakh tpa sugarcane crushing plant in the joint sector in Punjab that will yield enough bagasse for a newsprint plant and alcohol for 1 lakh tpa of PVC and 60,000 tpa of polyethylene.

As ambitious as Oswal, but farther from realising his goals, is **Shyam Bhartia**. His Vam Organic Chemicals Ltd. is bidding for 2 lakh tpa of PVC capacity and India Glycols for 60,000 tonnes of Meg at Auriya. Bhartia has floated Vam Petrochemicals Ltd. to set up a gas cracker and downstream units in Assam.

That's thinking big. Bhartia's interest in petrochem dates back to just 1979 when he started making 5,000 tpa of viny acetate monomer and that, too, by the alcohol route. Later he set up an alcohol-based Meg plant. But the money Bhartia made came from selling alcohol, which is in perpetual short supply. (Marriage into K.K. Birla's family, which owns three sugar mills, obviously helped.)

For future projects, Bhartia's long list of connections should not prove a handicap. His wife Shobhana is believed to be close to Sonia Gandhi. Bhartia himself is said to be chummy with UP chief minister N.D. Tiwari (all his projects are in UP).

Two other pairs of eyes scanning the petrochem sector are those of the **Ruias**. Quiet, astute empire builders, brothers Shashi and Ravi Ruia of the Essar group managed to reach the final shortlist for the Mangalore refinery that ultimately went to Indian Rayon, claims an Essar executive. Meanwhile, their interests and resources got diverted to the sponge iron project. But now, they are back in the petrochem race — not for a cracker because they reckon the Auriya one may go to IPCL and the Visakhapatnam one to Mallya. Instead, Essar has applied for ethylene and propylene-based downstream units at Auriya.



But Essar's real interest is in PVC and 2-ethyl hexanol, a plasticiser. It is eyeing the telecom cable market.

Prominent absentees from the above list of runners in the petrochem race are the Tatas. Darbari Seth's Tata Chemicals is, of course, setting up a refinery at Karnal (Haryana) in the joint sector. Unlike the Mangalore refinery, the naphtha output of Karnal has not been committed for petrochemicals. But like Mangalore, Karnal is in an opposition-ruled state.

Judging by the pace of work there (slowed down by red tape), the Tatas may be in for a tough time. Haryana meanwhile has made a bid for a petrochem complex based on Karnal naphtha. With Visakhapatnam, Auriya and Mangalore also in the running, there are no prizes for guessing Karnal's fate.

■ *Debashis Basu & Alam Srinivas*

SUPER SALES' SUPER SHOW

If entrepreneurship is all about seizing opportunities, the Coimbatore (Tamil Nadu)-based Super Sales Agency Ltd. surely ranks as an entrepreneur. With nimble footwork, the company converted itself from a humdrum erection and maintenance outfit to a leasing company, and finally into a yarn manufacturer, when the going got tough for lessors. And now that the winds are favourable for exports, Super Sales is already sniffing super profits in markets abroad.

Closely associated with Lakshmi Machine Works Ltd. (LMW), Super Sales plans to produce synthetic yarn for export by modernising its 32,000-spindle spinning mill in Othakalmandapam on the Coimbatore-Pollachi road. Director and chief spokesman R. Venkatarangappan says sprucing up the company will cost around Rs 10 crores over five years. Adds he: "We shall try and complete it within three years."

Currently the mill spins staple fibre, polyester-viscose, polyester-cotton and pure cotton yarn. In the past couple of years, though, there has been a noticeable — and deliberate — shift away from staple fibre yarn, because of unpredictable raw material supplies and high prices.

Funding process. The modernisation process is to be funded by a "blend of internally generated resources and institutional borrowings, but the latter will be minimal," says Venkatarangappan, who is also the executive director of LMW. As a prelude to the revamping, 410 mill workers were induced to leave in September-October last year under a voluntary separation scheme. This cost Rs 1.5 crores, but saves Super Sales Rs 1 crore annually, observes Venkatarangappan. "With modernisation, some more (workers) will have to go," he adds. Currently, the mill employs 900 workers.

Apart from producing export-quality yarn, the objective of modernisation is to make the spinning mill a "model unit" by installing the latest generation spinning machinery from LMW. While this should improve the quality of Super Sales' yarn and thereby enhance price realisation, it may also boost sales of LMW's latest spinning machinery, as prospective customers will be able to see its performance first hand. Super Sales, too, will gain in the bargain for the simple reason that it is a marketing agency for LMW's spinning machinery in India and abroad and, lately, for its CNC machines as well. Incidentally, Voltas also markets LMW's spinning machinery but only in the domestic markets. Alfred Herbert (India) Ltd. hawks LMW's CNC machines made in technical collaboration with Mori Seiki of Japan.

Unlike Voltas, whose association with LMW goes back two decades, the origins of Super Sales are more recent. It was incorporated in 1981 for the erection and maintenance of LMW textile machinery. In under three years, the company ventured into equipment leasing, basically to save on income tax (over Rs 6 lakhs). In a rather clever move, Super Sales leased out power generators to LMW ancillaries, which were then crippled by a power crisis. (This, in turn, was affecting LMW's production of spinning machinery.) At one stroke, Super Sales found a tax shelter (equipment leasing), came to the rescue of LMW's ancillaries and helped LMW keep its own production going.

Metamorphosis. In 1985, Super Sales metamorphosed into a manufacturer. It acquired the spinning mill in Othakalmandapam from Premier Mills, Coimbatore, for Rs 3 crores. At the time, the mill was in poor shape and the Industrial Development Bank of India (IDBI) was on the lookout for prospective buyers. "We acquired the mill since it coincided with our interest in venturing into yarn manufacture. As a matter of fact, we had applied and got a licence for putting up a 25,000-spindle unit," says Venkatarangappan.

VENKATARANGAPPAN HAS MODEL ASPIRATIONS



The mill has been doing well under Super Sales' stewardship with capacity utilisation consistently over 100%. In the 16-month period ending March 1989, Super Sales' textile division is expected to show a sales turnover of Rs 14 crores. The company also hopes to earn an income of Rs 2.4 crores by way of commission on sales of textile machinery, erection charges and lease rentals. The pre-tax profit is likely to be between Rs 85 lakhs and Rs 1 crore, according to Super Sales' corporate advisor K.N. Sreedharan.

In the 12-month year ended November 1987, sales amounted to Rs 10.68 crores and other income (meaning commission, erection receipts, etc.), Rs 1.54 crores. In just six years since its inception, Super Sales has made two bonus share issues. The last issue, in December, was in the ratio of 1:2 and took the equity capital to Rs 60 lakhs.

A 22% dividend has been maintained since 1984-85. The same has been proposed on the enlarged capital for the 16-month period ending this March. In an effort to have the scrip listed on the Bombay and Madras stock exchanges, to widen the capital base, and to meet long-term working capital requirements and regular capital expenditure, Super Sales plans to come out with a maiden public issue of 9 lakh equity shares of Rs 10 each at a premium of Rs 10 per share on 27 April. Of this, 45,000 shares are meant for preferential allotment to Super Sales employees.

After the issue, the paid-up equity capital will increase to Rs 1.50 crores. Against this, free reserves will be between Rs 2.50-2.70 crores. With its equity base crossing the Rs 1 crore threshold, Super Sales will have to appoint a full-time managing director. According to Venkatarangappan, a seasoned technocrat will be appointed to the post shortly. The new incumbent will undoubtedly continue to steer Super Sales to ever more superlative heights of performance.

■ *N. Raghavan*

MYSORE PETRO

MEDIUM-SIZED AMBITIONS

Mysore Petro Chemicals Ltd., which manufactures phthalic anhydride, is finally shedding its small company image. It is planning to diversify and is unsheathing plans which could catapult the Rs 15 crore per annum sales company into a medium-sized corporate entity. If its hopes materialise, the company's sales could nudge Rs 50 crores, with a corresponding improvement in profitability.

Firstly, it has promoted a new company styled IG Petrochemicals (IGP) in technical and financial collaboration with Lurgi GmbH, West Germany. Plans are afoot to set up a 100% export-oriented unit in Goa for the manufacture of 45,000 tonnes per annum (tpa) of phthalic anhydride at a cost of Rs 60 crores.

Moreover, it is setting up a Rs 10 crore project for the recovery of 3,000 tpa of maleic anhydride from the effluent of the IGP plant. Both these plants will go on steam in a year or so.

The company is now planning to diversify its activities into the field of synthetic industrial grade diamonds.

Meanwhile, the company, which had put up an encouraging show last year (1987-88) is doing still better in the current year ending 30 June 1989. If the actual half-time performance is any guide, the turnover during the year could reach the Rs 20-crore mark, as compared to Rs 15 crores last year. Gross profits may be at least 50% higher than the Rs 1.95 crores last year. A hike of 2% to 3% in the equity dividend over 20% paid for the previous year cannot be ruled out.

SIEMENS

ON THE GROWTH TRACK

With its new thrust on automation and electronics, Siemens Ltd., the Indian associate of the West German electronics and electrical giant Siemens AG, is likely to make rapid strides in the coming years. Its turnover will more than double to reach Rs 500 crores during the next four years, with a corresponding improvement in profits.

The growth strategy rests on three planks: setting up a modern plant at Nashik, entry into software systems, and joint ventures in telecommunications. The liberalised industrial policy will significantly help the growth process.

Meanwhile, the company is doing well in the current year (ending 30 September 1989). If the reported performance is any guide, the turnover may be around Rs 270 crores with gross profits exceeding Rs 15 crores.

BURROUGHS WELLCOME

BETTER PROSPECTS

Pharmaceuticals, chemicals and cosmetics maker Burroughs Wellcome (India) Ltd., the Indian associate of the Burroughs Wellcome group, has fared exceedingly well in the current accounting period of 19 months ended 31 March 1989. There are bright prospects for a higher dividend this year (15% during the period ending 31 August 1987). The possibility of a bonus issue also cannot be ruled out.

The company had suffered a severe setback during 1985-86, but recovered rapidly subsequently, largely due to rationalisation and cost control measures.

The sales, as a result, moved up from Rs 47 crores in 1985-86 to Rs 53 crores in 1986-87 and further to around Rs 65 crores during the 12-month period ended 31 August 1988.

Gross profits, which had amounted to Rs 2 crores during 1986-87 in striking contrast to a loss of Rs 44 lakhs in the previous year, shot up to around Rs 6.5 crores in 1987-88. As the current year has been extended to 31 March 1989, the sales turnover for the 19-month accounting period is likely to touch Rs 100 crores. Gross profits are expected to be around Rs 10 crores.

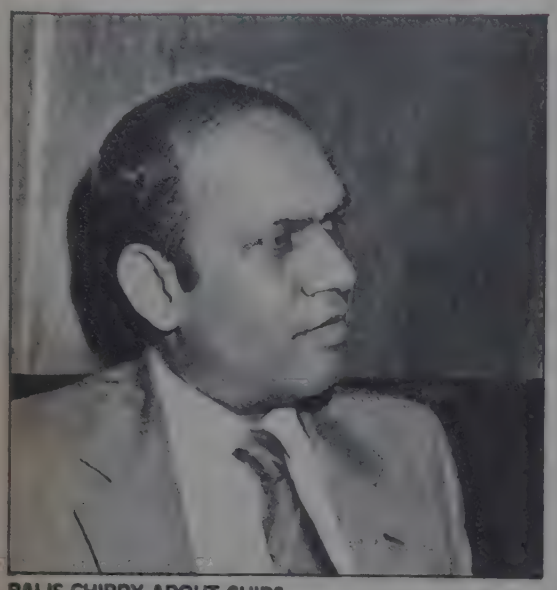
Companies this fortnight

(Rs crores)

	Siemens (year ending September)			Burroughs (year ending August)			Mysore Petro (year ending June)		
	1986	1987	1988	1985	1986	1987	1986	1987	1988
Sales	173.50	193.50	223.00	44.34	47.08	52.73	16.08	14.83	15.72
Gross profit	9.20	9.60	12.00	4.04	– 0.44	2.01	1.70	1.99	1.96
Paid-up capital	10.80	13.50	20.80	3.00	3.00	3.00	1.78	1.78	1.78
Reserves	32.70	62.10	58.30	12.26	11.33	11.76	1.84	1.94	2.59
Gross fixed assets	68.20	82.60	94.50	9.11	10.79	11.84	9.86	13.02	15.39
Dividend (%)	16.00	16.00	16.00	25.00	Nil	15.00	15.00	18.00	20.00
Earnings per share (Rs)	5.32	3.85	3.27	5.35	– 3.13	2.95	6.45	2.48	4.57
Paid-up value (Rs)	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Market price as on on 29 March 1989 (Rs)			78.00			190.00			95.00

USHA RECTIFIER

CHIP MAKING PLANS



RAI IS CHIRPY ABOUT CHIPS

Usha Rectifier Corp.(URC) is looking towards chips to further consolidate its earnings. Vinay Rai, managing director and chairman of URC, has submitted an application to the government for a technical tieup and purchase of a complete second-hand plant to produce chips of three micron configuration from Matra Harris Semiconductor (MHS) of France.

The plant currently installed in France will have a landed cost of Rs 16.5 crores for URC. The whole project, to be located at URC's electronic component complex in Bhimtal (Uttar Pradesh), will cost Rs 30 crores. The chips would be made using complementary metal oxide on semiconductor (CMOS) technology. Besides, URC would have the flexibility to upgrade the plant to make 1.5 micron chips. Having a buy-back arrangement tied up, Vinay Rai expects URC to register a turnover of Rs 30 crores in the first year and Rs 75 crores on full capacity utilisation.

CRISIL

NEW RATINGS

The Credit Rating Information Services of India Ltd. (Crisil) has announced its ratings of two fixed deposit programmes:those of Cholamandalam Investment and Finance Co.Ltd. and Apar Ltd.

The Cholamandalam scheme has bagged an FAAA (F-triple A) rating, which indicates highest safety. This is because of the "assured backing of the TI group (the promoter of the company) and Standard Chartered Bank (a major shareholder)," among other factors.

Apar Ltd., a pioneer in the manufacture of transfomer oil, has not fared as well. Its fixed deposit programme has been rated FAA (F-double A). This indicates a high degree of safety regarding timely payment of interest and principal.

LIPTON

BETTER RESULTS

The Calcutta-based Lipton India Ltd. has reported improved results for its recently concluded financial year.

Sales have shot up to Rs 566.93 crores for the 18-month period ended 31 December 1988 as compared to Rs 325.40 crores for the previous year (12 months) ended 30 June 1987. While gross profit has gone up to Rs 30.71 crores (Rs 18.89 crores), net profit was Rs 12.18 crores (Rs 6.30 crores). With a final dividend of 11%, the board of directors has recommended a total dividend of 33% (20% in the previous year).

Last year, the company's soft drink was marketed under the brandname Tree Top. And today, it has found a niche for itself in the market. Lipton also launched Taaza, a new blend of tea in pouches besides Flora, a new brand of refined sunflower oil.

LIPTON'S TREE TOP FINDS A NICHE



RALLIS

GOING GA-GA OVER GOA

Rallis India Ltd. is hot-footing it down to Goa. The reason:to set up an electric fan manufacturing unit. The project cost: Rs 2.8 crores. Of this, Rs 1.40 crores will be generated from internal resources and Rs 1.41 crores from an issue of debentures or from the financial institutions.

The project, with a capacity to manufacture 5 lakh fans per annum, will be located in a centrally notified category 'A' backward area.

To get the approval, however, Rallis had to fulfil conditions like not retrenching its Bombay employees, not manufacturing exhaust fans of up to 4,600 mm size, and taking adequate safety and anti-pollution measures.

VAM ORGANICS

NO-GO FOR POLYBUTENES

It's no-go for Vam Organics Chemicals' plans to set up a new unit for manufacturing polybutenes. And the main stumbling block has been the government. Vam had proposed to set up a unit at Visakhapatnam in Andhra Pradesh reportedly at a cost of Rs 14 crores. The capacity was slated to be 5,0000 tpa of polybutenes.

The government rejected the proposal on the grounds that the company had not made adequate arrangements for the feedstock.

"It's a pleasure using your Business Centre. It's professional, efficient and well-equipped. And yet, I'm always greeted with a smile."*

— MR JOHN E STAKES
Materials Coordinator
Permago International Inc., U S A



A full-fledged Business Centre puts success on your agenda. With up-to-date computer facilities. A word processor. Efficient secretarial assistance which includes arranging appointments for you. Duplicating, telex and facsimile facilities. Message services. And even car rentals. All arranged with a smile. Add to this our personalised service, convenient location and reasonable room rates and you'll discover why more and more people prefer staying with us.

* This is an authentic guest statement

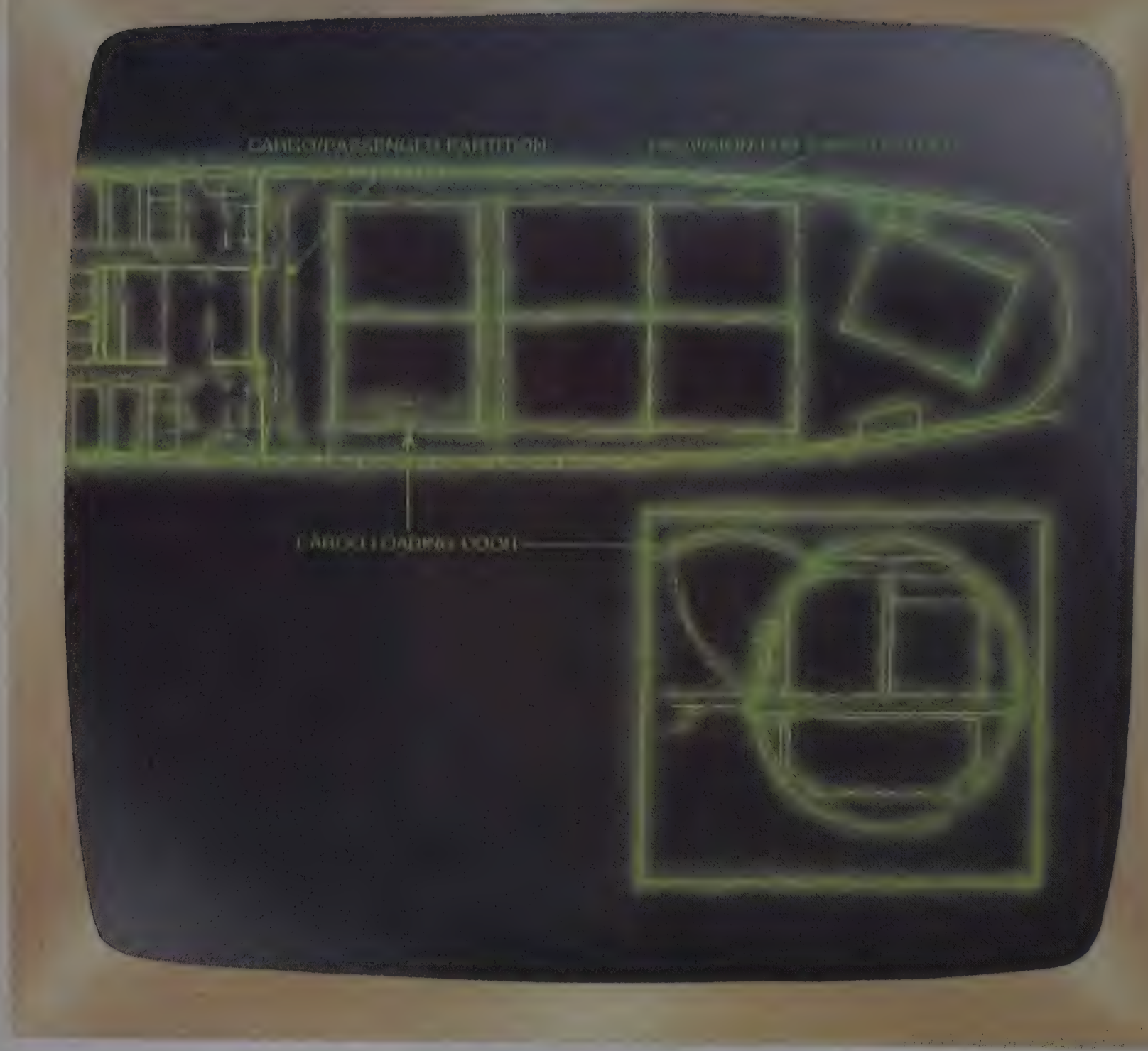
It's nice to know someone cares.

Staying at Hotel President makes good business sense.

HOTEL PRESIDENT

THE TAJ GROUP OF HOTELS

More place. More places!



INTRODUCING THE AIR-INDIA COMBI

Presenting a perfect combination.
My new Boeing 747-300 Combi.
A passenger aircraft with a freighter-sized appetite
for cargo – a capacity of 35 tonnes or more!
Its special configuration allows it to carry 7 cargo pallets
on the main deck and 5 on the lower deck.
And a 10 foot high side door facilitates loading
of odd sized cargo.
It has a super schedule.
5 flights a week to Frankfurt.
And weekly flights to London, Paris, Geneva, Rome
and Tokyo.
To New York flies my 747 freighter.
And my IL-76 takes off for Moscow and Zurich.
This super space and schedule is supplemented
by my regular 747 passenger network.
Which carries cargo to over
40 destinations in 5 continents.
And all this is assisted
by progressive computerisation
that expedites every aspect of my cargo
operations at the touch of a button.
So whether it's into or out of India.
Ship your cargo with the expert.
Air-India.



AIR-INDIA CARGO

HTA 1097

NOW POLAR GIVES YOU THE PAPER AND BOARD WITH CLOUT.



Strikingly **SUPERIOR**

KLASS Speciality Coated Papers and Boards. A great new innovation from the house of Polar, under technical collaboration with MDV GmbH of West Germany. Which will make your products stand out. Even in a crowd

- The Ultra Metal Range—in Gold, Silver, Copper, other metallic colours—with various shades of each colour. Which has all the looks/feel of foil. Plus some advantages you never had before.
- The Ultra Fluorescent Range in a wide choice of brilliant colours that are refreshingly bright.
- The Speciality Polygum Range for self-adhesive and security printing applications.

Soon also a range of anti-corrosive papers and films- for metals and alloys protection.

Forcefully **DIFFERENT**

- Easily printable—no special process required as with foils
- Easily available—in sheets or reels. No waiting for supplies.

Surprisingly **ECONOMICAL**

KLASS is more cost effective than foils and equivalent fluorescent papers and boards. And as such is the economic alternative to foil

KLASS Speciality Coated Papers and Boards are ideal for:

- Cartons • Labels • Stickers • Tags • Decorative Overwraps
- Bookmarks • File and Book Covers • Cards • Airline Tags
- Hotel Stationery • Educational Aids • Reverse Polylamination
- Blister Packing... and much more

Just write to us. We will immediately revert with samples and detailed catalogue. And we are sure you'll be an excited customer.

KLASS
SPECIALITY COATED PAPERS AND BOARDS
In technical collaboration with MDV GmbH of West Germany

THE COST EFFECTIVE AID TO YOUR PACKAGING NEEDS

POLAR CHEM COATS LTD.
Works: E-8&9, Site-IV Industrial Area, Sahibabad - 201 010. Ph: 854547/854447. Corporate Office: A-11, East of Kailash New Delhi. Ph: 6837427/6831147/6845300

Let us hammer home some facts.

DISTINGUISHED MEMBER
POLAR
GROUP

AD/PCC/075

GRAMOPHONE CO

A DIFFERENT TUNE

The Gramophone Co. of India, more popular as His Master's Voice (HMV), is now playing a new tune. It has begun to sponsor concerts and is into live show business in a big way. A new division set up for the purpose has begun to organise concerts all over the country.

According to company spokesmen, this new foray represents a drive to unearth new talent. "The basic principle is to bring promising artistes into the limelight," spokesmen say.

The first such concert is 'The Alisha show,' which has done the rounds in several cities. The concerts have been highly successful and enabled the company to sell one lakh cassettes of teeny-bopper singer Alisha Chinai's new release — Alisha Madonna — in just seven days.

S.M. DYECHEM

DIVERSIFICATION PLANS

The Bombay-based S.M.Dyechem Ltd. has announced better results for the 18 months ended 28 February 1989. It has also unveiled ambitious diversification plans.

The company has announced a turnover of Rs 24 crores which on an annualised basis, works out to Rs 16 crores compared to the previous year's (12 months ended 31 August 1987) turnover of Rs 6.26 crores.

SM Dyechem's diversification programme will involve a capital outlay of Rs 300 crores. The company has signed a memorandum of understanding with Danbrew Consult Ltd. for the production of their world famous Carlsberg Beer in India. SM has applied for the necessary registration and licence for the project. It also plans to produce high quality and hygienically processed food concentrates from seasonal agricultural produce in collaboration with Danbrew.

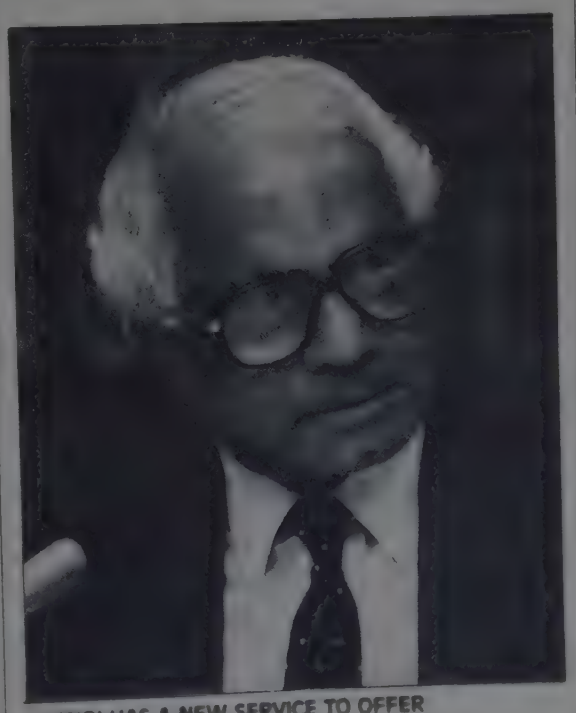
Another project is to expand its methanol production capacity from 1 lakh tonnes per annum (tpa) to 3 lakh tpa. It is entering the petrochemical race in a big way as well. The company has applied for a licence to manufacture ethylene oxide, ethylene and MEG.

POLYOLEFINS

COMPOSITES PROJECT

The Mafatlal group company, Polyolefins Industries Ltd. (PIL), has got the go-ahead to set up a Rs 28.75 crore plant in the Akola district of Maharashtra. The project envisages the manufacture of 10,000 tpa of alloys blends, sandwiches and composites of polymers and elastomers. PIL's contribution towards the project is Rs 13.65 crores. Rs 6.35 crores is coming in as supplier's credit or commercial borrowings while Rs 8.75 crores is being contributed by banks as working capital.

The company is not roping in any foreign collaborator for technology. Instead, it is availing of technology which the regional research laboratories provide.



SHENOI HAS A NEW SERVICE TO OFFER

UCO BANK

LEASING VENTURE OKAYED

The Reserve Bank of India has cleared the United Commercial Bank's joint venture with Nicco Ltd.

The new venture, styled Nicco-Uco Financial Services (NUFS), will have equity participation of 30% each by the co-promoters. The remaining 40% will be held by the public.

According to K. Manmohan Shenoi, chairman and managing director of Uco Bank, the new venture will be involved in leasing and financial services. NUFS will raise resources through bank loans and public deposits and also open a foreign line of credit.

VARDHMAN SPG.

PROFITS RISE

Vardhman Spinning & General Mills Ltd. has spun encouraging results for the 18-months ending 31 December 1988. Turnover increased from Rs 65.67 crores last year to Rs 129.56 crores — a rise of 31.52% on an annualised basis.

Gross profit after interest has risen to Rs 17.76 crores (Rs 5.10 crores). Net profit has jumped to Rs 10.04 crores (Rs 2.46 crores). The company had earlier declared an interim dividend of 22%. As a final dividend of 18% has been recommended , the total dividend will now be 40% as against 18% last year. The company has fared well on the export front. The value of shipments of cotton and blended yarns overseas rose from Rs 2.50 crores last year to Rs 13.21 crores in the period under review.

MODI THREADS

GOOD SHOW

Modi Threads Ltd. has put up a fairly good show for the year ended 31 August 1988. Sales have increased 29% over the previous year to Rs 36.25 crores. Though gross profit increased 47% to Rs 3.87 crores, net profit shot up 72% to Rs 1.74 crores.

During the year, exports contributed Rs 1.18 crores to the turnover, compared to Rs 22 lakhs last year. The company plans to hawk products such as vacuum cleaners and domestic weighing machines through its home appliances division.

NEW PRODUCTS



THE LIPSMACKING ENRICHE

■ **Hindustan Cocoa Products Ltd.** (HCPL), which manufactures Bournvita, has now launched another "high nutrition drink for growing children." The new drink, named Cadbury's Enriche, contains 26 vital nutrients and is available in two flavours — chocolate and vanilla. The product was launched in West Bengal last month, and is gradually being extended to other areas.

For further details contact:Hindustan Cocoa Products Ltd.,P.Box No. 26516, Bombay-400026.

■ Computers are going bilingual. **Digitron Electronics** has developed the Mother Tongue Language System (MTLS), which enables computers to switch to the vernacular at the flip of a switch. The system comprises an installable board that fits into PCs, and allows users to use software bilingually — in English and in the regional language of one's choice. At present, the system is available only in Hindi and Marathi, but versions in other Indian languages should hit the market soon.

For further details contact: Digitron Electronics Pvt. Ltd., Eucharistic Congress Building No.III, 5, Convent Street, Bombay-400039.

■ Got the C-Brain virus in your computer system? No sweat. Visakhapatnam-based **Creative Computer Systems** has developed an antidote for it. Aptly styled Vaccine+, the program, according to the company, checks to see if the virus is present in the system's memory or on a disk. Once detected the user can proceed to vaccinate the disk. Vaccine+ hunts for the virus code and then wipes it out leaving the other programs and data untouched. The time taken: a mere 30 seconds.

For further details contact: Creative Computer Systems, 10-1-35/1 VIP Road, Waltair Uplands, Visakhapatnam-530003.

■ When computers make a splash in India, can networks be far behind? Well, no. **Chenab Information Technologies Pvt. Ltd.** has secured a tieup with 3COM of the US, reportedly the world's largest independent computer network manufacturer, to distribute its 3+ and 3+ open network systems in India. These solutions enable computer users to connect to each other. IBM, DEC and other network and data communication systems can also be connected using these solutions.

For details contact: Chenab Information Technologies Pvt. Ltd., J-1A, Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Bombay-400072.

■ A horizontal tube mill using direct firing systems which can pulverise coal for 210 Mw boilers has been manufactured for the first time in India by **Bharat Heavy Electricals Ltd.'s** (Bhel) Ramachandrapuram unit.



BHEL'S TUBE MILL

Bhel has already received orders to supply 21 mills to SEBs across the country.

For further details contact: Bhel, Ramachandrapuram, Hyderabad-500032.

AWARDED

■ **Bharat Electronics** has snapped up two awards instituted by the Electronic Component Industries Association (Elcina) — one for R&D and the other for exports. The company's R&D efforts have resulted in a range of silicon transistor equivalents and an integrated circuit which are being used by major radio and TV manufacturers. The export award was given for exports of monochrome TV picture tubes. Bharat Electronics exported more than 2 lakh TV tubes to Hong Kong in 1988.

■ **Wipro Information Technology Ltd.** has bagged the National Productivity Award for 1987-88. This award has been given in the computer and industrial electronic sector category.

ORDERS

■ **Kudremukh Iron Ore Co.** has secured new orders to export iron pellets to the tune of Rs 35 crores to France, West Germany and Hungary. Exports during 1988-89 have already crossed Rs 100 crores.

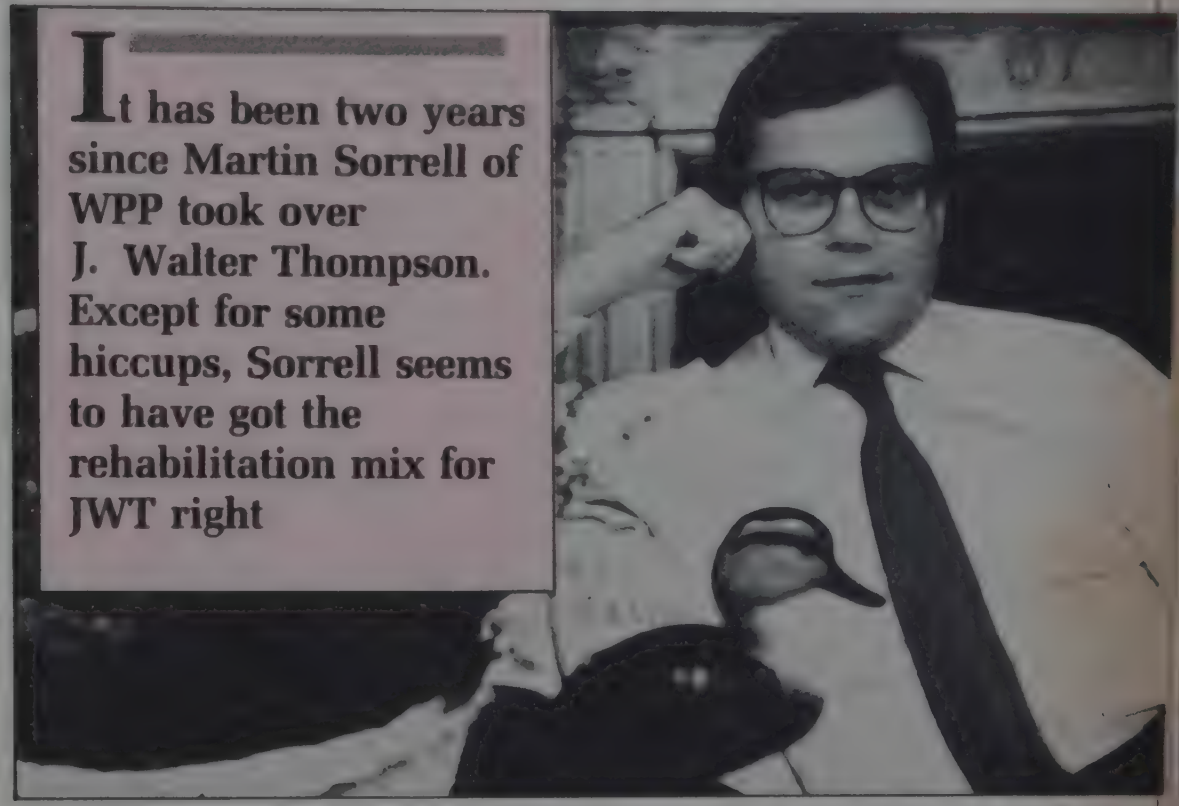
COMMISSIONED

■ The last pot of the first 240 pot line of the aluminium smelter at **National Aluminium Co. Ltd.'s** (Nalco) plant at Angul was commissioned recently. This brings the production of the plant up to 1,15,000 tpa of aluminium ingots and wire rods. The smelter is being set up with technology from Aluminium Pechiney of France and will have another line of 240 pots. Each pot line is equipped with individual microprocessors and robot-like pot tending machines. Nalco has set up its own 5 X 120 Mw power plant for the smelter.

JWT

SORRELL'S MIRACLE

It has been two years since Martin Sorrell of WPP took over J. Walter Thompson. Except for some hiccups, Sorrell seems to have got the rehabilitation mix for JWT right



The receptionist's inquiry is not without concern: "Did you find us all right?" Visitors to the head office of WPP, the UK marketing services group which took over the much larger JWT Group in one of the bull market's most ambitious Trans-atlantic bids, find themselves searching for a discreet brass nameplate on a row of family-sized houses tucked behind Berkeley Square in London.

Entry is through the tradesman's door at the side.

This modest head office is a far — and no doubt deliberate — cry from the plush former headquarters of Madison Avenue occupied by JWT, parent company to the 125-year-old J. Walter Thompson agency and the Hill & Knowlton public relations group. If Martin Sorrell, the chief executive, wants to make a point about corporate overheads, it starts at his own frontdoor.

The same point also underlies WPP's latest figures. These announced that the overall operating margin at the former JWT businesses had moved back in line with the industry's average — 10% — in the second half of 1988.

Base projection? WPP now expects this 10% level to persist at JWT throughout the current year, rising to 11% in 1990 and 12% a year later. Analysts, well-used to Sorrell's cautious ways, suspect that this may be a base projection only. "If he says 11% that probably means 12%," comments one.

It is no mean management achievement. In 1986 — the year before WPP made its highly ambitious bid — operating profit margins at the JWT Group had fallen from 7.6% to 4.6%, having never topped 8.6% in the past five-year period. Income before tax had fallen to a small loss in the final quarter. There was then a larger $3.3 million deficit in the first quarter of 1987.

When WPP eventually won its £350 million bid in mid-1987, Sorrell suggested that JWT margins could be pulled back to the industry average within three years.

Analysts, faced with the first contested bid the sector had ever seen, thought it a gamble, albeit calculated. The key question was whether the implied degree of financial management could be imposed without staff, and then client accounts, walking out of the door.

So how has Sorrell (44) proved the sceptics wrong?

When WPP took control, JWT comprised four main businesses: J. Walter Thompson, the world's fourth largest advertising agency (billings of $3 billion in 1986 and revenues of around $470 million); Hill & Knowlton, the PR company (revenues of about $104 million); market research group, MRB (about $40 million); and the much-smaller, but creatively-esteemed US agency, Lord, Geller, Federico, Einstein ($29 million).

JWT's distressed state was no secret. Some significant accounts — Ford Europe, for example — had already been lost, while Burger King was up for review. A succesion of management upheavals had rent the boardroom and prompted a clutch of senior executives to depart.

Moreover, costs were rising and revenues falling. According to one broker's estimate, salaries, as a percentage of total revenues, rose to 64% in 1986 while office and general expenses took nearly one-third.

Simple structure. Faced with this disarrayed beast, the broad management structure envisaged by Sorrell was fairly simple. Chief executive officers would take day-to-day charge of the four operating subsidiaries. Having agreed budgets and overall targets, it would be up to the chief executives to decide how these could best be achieved. Back in London, WPP's relatively tight head office would play a monitoring and strategic role.

No sooner had he grasped control than Sorrell brought back Burt Manning — who had resigned from JWT a year earlier — to head J. Walter Thompson, and confirmed Robert Dilenschneider, Frank Stanton and Richard Lord in their positions as incumbent heads of Hill & Knowlton, MRB, and Lord, Geller, respectively.

On moving in, Martin Sorell maintains that he found very little sign of detailed budgeting. The overseas budgets, he recalls, consisted essentially of two numbers — revenues and pre-tax profits — and appeared to have emerged from a one-way decision-making process.

And there were problems in comparing underlying profitability at individual companies within the empire. For example, there was no general attempt — for management purposes — to charge the operating

businesses an imputed market rent. Without that, anyone functioning from a freehold property had a significant inherent advantage over another part of the group in a leasehold property.

The initial budgeting process took place the following autumn and a two-year plan — complete with "aggressive margin targets " — was also drawn up. Heavy emphasis, says Sorrell, was put on "zero-based budgeting", a pulling apart of the existing cost base. "We tried to encourage everyone to think of it as a new business, to look at executive dining rooms, glass palaces (the nickname for the former JWT chairman's suite) and so on."

Today, he concedes that, despite the more cautious public pronouncements, the plan actually envisaged the sort of margin improvement which has emerged. If anything, it was even more aggressive.

Incentives employed. Not unexpectedly, the full range of management incentives — from bonuses to share options — have also been employed. But again, detailed implementation of these remains a devolved matter.

An agreed "pot" is available to the relevant chief executive officer, but how it is spread among employees — assuming budgets are met — is at his discretion. Asked where the spread is widest, Sorrell suggests that it is probably at Hill & Knowlton. Tellingly, perhaps, he admits that he is not quite sure.

He also freely accepts that "incentivisation" is not a change which can be wrought overnight. J. Walter Thompson, for example, is still trying to get away from its high base salary element, in favour of a heavier performance-related element. "As new people come in," he comments, "that is one of the objectives."

On the reporting front, subsidiaries were quickly faced with a variety of head office requirements: daily cash balances, for example, monthly profit and loss accounts and balance sheets, and so on. The forecasts set in the two-year plans, meanwhile, are reviewed and, if necessary, reset every quarter.

But Sorrell refuses to view this as control: "It's a question of monitoring," he stresses. Nevertheless, there is a significant implied culture change. "We ask different questions — and if you ask questions, people usually give you the arguments. If you ask about cash balances and new business, people take note of them."

However, cost control — as Sorrell is the first to acknowledge — has finite possibilities. More happily, the other side of the equation — new business — does not.

Although there are no figures indicating the extent to which margin improvement was due to revenue upturn (as opposed to cost control), the account picture has brightened noticeably. In 1988, for example, J. Walter Thompson added net billings of over £235 million compared with a £67 million loss in 1987.

The account picture at J. Walter Thompson has brightened noticeably. In 1988,the company added net billings of over £235 million compared with the £67 million loss in 1987

Untapped territory. One fruitful area which WPP believes can be tapped is that of cross-referrals — where one part of the organisation effectively introduces business to another. It is quick to stress that 12.5% of last year's new business revenues came from this route, a steadily improving percentage. Sorrell refuses to specify future targets on this score, suggesting it is untapped territory.

Nevertheless, current management efforts appear to be devoted to encouraging internal contacts within this geographically diversified — and only recently melded — group. Methods range from the prosaic — internal conferences, newsletters — to the appointment of individuals to oversee cross-referral developments.

Interestingly, three areas appear to have sprung to the fore: Sampson/Tyrrell, the corporate design business; Hill & Knowlton; and the Henley consultancy operation. As WPP points out, the common factor is that they all offer access to the top ranks of clients' management.

But if the picture sounds too cheerful and too easy, the lie is given by Lord, Geller. A year ago, six top executives — including Richard Lord — quit dramatically from the smaller agency, saying they would form their own agency. Others followed. The key IBM account, which accounted for about half Lord, Geller's business was eventually lost. Legal action commenced, and continues.

Reasons for the Lord, Geller debacle have been variously attributed. Rumours that executives were looking to buy out the fiercely independent agency from the JWT group were widespread anyway. Matters seemed to come to a head, first over a plan to set up a new agency in Europe under the Lord, Geller name to handle an Alfa Romeo account, and then following discussions between Lord, Geller and General Motors over the Saturn (GM's new model) account.

Among J. Walter Thompson's largest clients is Ford Motor Co., and the matter ended with Sorrell issuing a statement to the effect that there was no substance to the idea that Lord, Geller would participate in Saturn.

In short, it was the model disaster — account clashes and departing executives — the sceptics feared. When it happened, Sorrell's immediate reaction was one of damage limitation. New people were drafted in; attempts were made to soothe clients. And he is quick to point out that the agency still made a profit in 1988 after about $2 million of legal fees.

Today, there is certainly a school of thought which believes that it was the special circumstances already pertaining at J. Walter Thompson which allowed the bid — in management terms — to work. Lord, Geller, it would add, provides a cautionary lesson for others looking to hostile action within the sector.

As for Sorrell himself, he points out that the group is still only in the "second division" financially. There is, he is convinced, more to come.

■ *Nikki Tait*

(By special arrangement with the Financial Times, London.)

AUTOMOBILES

JAGUAR GEARS UP FOR CHANGE

Sir John Egan, chairman and chief executive of the UK luxury car maker Jaguar and the man who steered the company to surging profits in the mid-eighties when the dollar was riding high, has become a convert to the Deming school of total quality management, as he seeks to map out a new strategy for Jaguar. The task for Sir John — working closely with consultant Myron Tribus, a Deming disciple — is to sustain Jaguar's long-term profitability in the nineties, and ensure its independence from predators when the protection of the government's golden share runs out at the end of 1990.

In catching on to the management theories of W. Edwards Deming, the American academic credited by many for playing a major role in shaping the post-war success of Japanese industry, Sir John is following in the wake of many other automotive groups, not least Ford of the US.

The Jaguar chairman has been forced to innovate. As the dollar began to tumble in 1985, the growing weaknesses in Jaguar's cost structure that had been overlooked in the dash for growth in the first half of the eighties began to be cruelly exposed.

Successful currency hedging operations delayed the hour of reckoning, but they could only provide a temporary protection against Jaguar's dangerous overdependence on the US.

Above all, it had been growth in the US, the world's most important luxury car market, that had made possible Jaguar's success in the first two years following its privatisation in 1984. Pre-tax profits surged to a peak of £121.3 million (Rs 315 crores) in 1986. It was the favourite example cited by UK government ministers preaching the virtues of privatisation.

But Jaguar's profits faltered in 1987 and in 1988 they fell by 51% to £47.5 million.

Sir John accepts that prices in the US were pushed up "above the easy ability of the market to absorb them. Instead you have to reduce costs. You cannot depend any longer on the name and old world charm and wood and leather to get enormous premiums in the market."

THE XJ-S CONVERTIBLE FROM JAGUAR



Jaguar presents a paradoxical picture with sales and production continuing to rise to record levels, while profits go into free fall and financial ratios deteriorate sharply

Compound problems. Last year Jaguar was hit by the compound problems of the much lower value of the US dollar, falling US sales volumes and a complete inability to raise prices. From the autumn of 1987 to February this year, it was unable to impose any price increase in the US and was forced to desperately defend existing price levels.

Jaguar has been far from alone in its problems in the US and indeed can claim to have weathered the storm better than most of its European competitors. Porsche's sales and profits have crashed in the last two years and the profits of Saab's car division have all but disappeared. BMW sales in the US plunged by 16.5%, Audi sales fell by 44.5% and Mercedes-Benz's US sales fell by 6.8%. But, with its narrow product range and the pressing need to invest heavily to overcome decades of neglect, Jaguar is more exposed than most of its rivals to any deterioration in the competitive climate.

It currently presents a paradoxical picture with sales and production continuing to rise to record levels, while profits go into free fall and most of the group's financial ratios deteriorate sharply.

In the first two months of 1989, sales worldwide were 15% above the level a year ago at 8,366. For the year as a whole it is hoping to increase sales to about 55,000, helped by a 5%-10% increase in US sales. Jaguar is opening up a promising market in Japan, where sales doubled last year from a small base to 1,124. It is aiming to increase Japanese sales to 2,000 in 1990 and sees a market potential of 5,000 cars a year once it has established a comprehensive dealer network.

It has successfully reduced its dependence on the US market from a peak share of 65.5% of turnover in 1986 to an estimated 42%-43% last year, but Sir John doubts whether this can ever fall much below 40%.

Continuing success on the sales front cannot mask the drastic deterioration in Jaguar's financial performance, however. This decline has been mirrored in its share price.

Currency mountain. Ever since the US dollar began its fall in 1985, Jaguar has faced a currency mountain to climb. The company calculates

that every decline of one cent in the value of the dollar against the pound sterling wipes £3-3.5 million off its bottomline. In 1987, its dollar revenues were hedged at $1.38 to the pound, last year it was $1.55, a difference of £50-60 million in annual pretax profits. Much of the market's pessimism about Jaguar's results in 1989 is based on the fact that the company is now hedged for three-quarters of 1989 at $1.70 to the pound.

Sir John insists that Jaguar is not just a "breakeven company" in 1989. "People have been a little too gloomy, we should be profitable in 1989 and able to fund fully our £100 million plus investment and research and development programme."

The key to whether Jaguar succeeds in this aim lies in its ambitious cost-cutting programme which began in mid-1988. It is seeking to take out of the business around £50 million a year, or 5% of costs, by eliminating waste, improving efficiency and productivity, and "seeking to get it right first time from first design concept to final manufacturing."

The cost-cutting will inevitably bring reductions in the workforce. It has already declined from a peak of 12,966 in March 1988 to 12,611 at the end of 1988. Sir John expects further reductions of up to 400 a year through natural wastage. Production has fallen from close to 1,300 a week in the spring of 1988 to 1,170 now.

At the same time capital investment fell from a peak of some £132 million in 1987 to £104 million in 1988. Jaguar faced an onerous investment burden to catch up on omissions of the past. Sir John maintains that in 1984 the average age of Jaguar's machine tools was 25 years. In an audit it found a lathe still working dating from 1895 with a refurbishment slip from 1920. The aim now is to lower capital investment each year to around 10% of turnover, with research and development spending at around 5% of turnover.

Building up a world-class car company in a non-world class economy (Britain) is difficult, but in the long-term we must be cost-effective with the potential Japanese competition

Sir John Egan
chairman & chief executive
Jaguar

Modernising. It has built an entirely new design and engineering centre, is close to completing a highly automated body assembly line, it has modernised the paintshop and has spent heavily on creating new engine facilities. The next major project must be the renewal of the final assembly operations, probably in conjunction with the launch of the much heralded new sports car, the F-Type, due for launch around the end of 1993.

The months of rumbling labour discontent over the company's modest two-year pay offer for 1989-90 have underlined again the daunting size of the task ahead for Jaguar. "Building up a world-class car company in a non-world class economy is difficult, but in the long-term we must be cost-competitive with the potential Japanese competition," says Sir John.

The book now at his right hand is *The Deming Guide to Quality and Competitive Position*. "We must be thinking of the future and developing management process, not fire-fighting for today." In fact, Jaguar is still walking a tightrope between short-term disaster and long-term survival and from the end of 1990, when the government's golden share expires, the threat of takeover could become a daily reality.

■ *Kevin Done*

(By special arrangement with the Financial Times, London.)

GOLD

BEARS HOLD SWAY

If you believe in taking a contrarian view, then now is the time to buy gold. Almost all professionals say sell, and they can make a strong case for being bearish in the short to medium term.

There are, on the other hand, arguments to support those brave enough to take a countervailing view. If there is only one thing clear, it is that the gold price is in for a good deal more volatility than it has experienced of late.

The market for physical gold appears to be facing massive oversupply; investors are not responding to rising inflation by buying precious metals — not yet at least — and financial assets look likely to continue yielding a positive real return for some time to come.

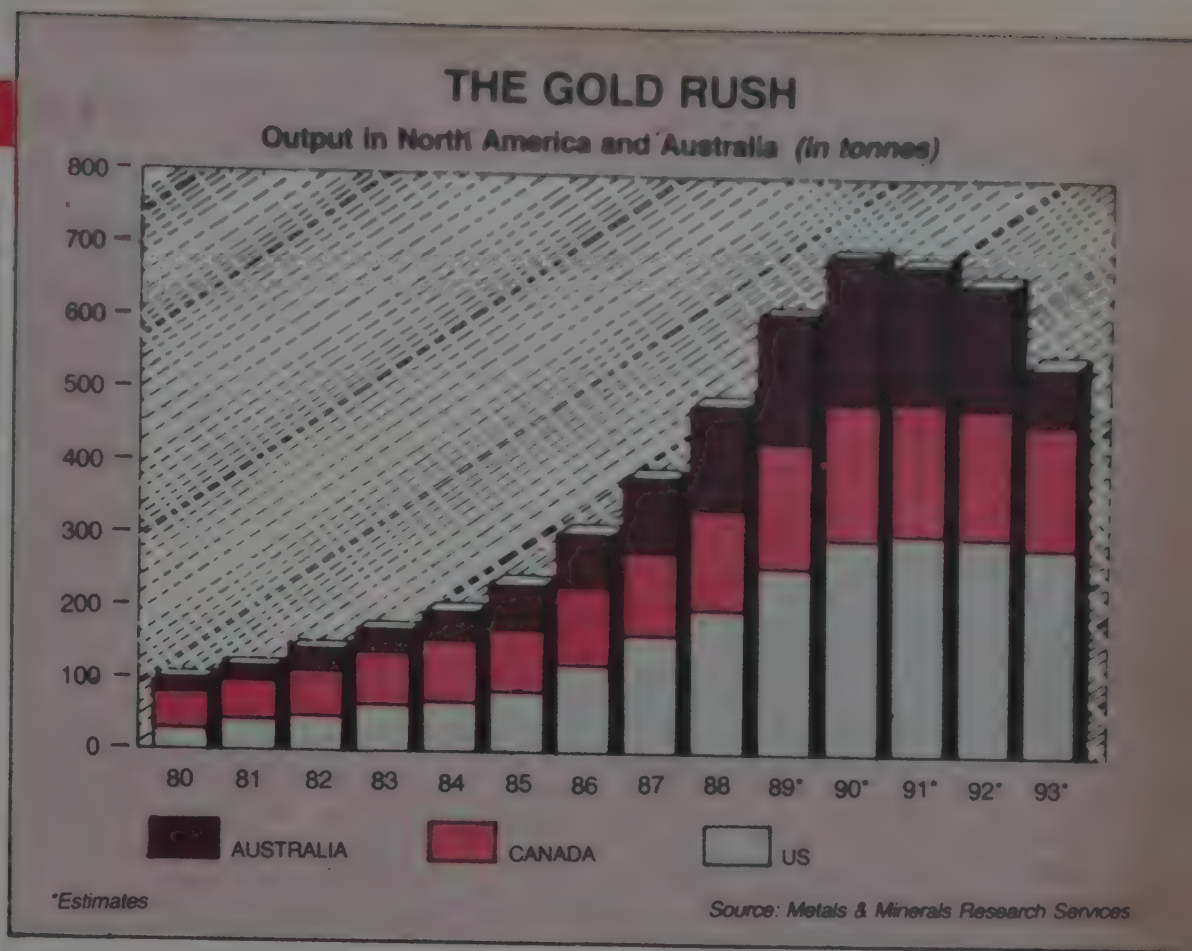
Part of the problem for gold is that investment demand for the metal in east Asia — Japan and Taiwan in particular — as well as in west Asia has been slackening, and thus failing to absorb increasing production and sales.

By the end of 1988, implied speculative demand had fallen to 90 tonnes worldwide compared with 144 tonnes the previous year, according to investment managers Thornton Group.

(Implied speculative demand is the residual factor after accounting for gold use in jewellery — 1,150 tonnes in 1988 — absorption of 200 tonnes for official coins, a further 250 tonnes used in other industrial uses and 250 tonnes by way of gold-bar hoarding.)

Wild card. Speculative demand is the wild card in the pack. Julian Baring at broker James Capel, for long a strong bull of gold, has turned bearish and now believes that the gold price will "stay weaker than most people expected for longer than most people expected." He expects the metal to average $320 (Rs 4,960) an ounce for the foreseeable future.

Baring's reasoning is that monetary authorities in major countries will do



their utmost to maintain a real rate of return on financial assets in order to suppress inflation. There will thus be no repeat of the situation in the late seventies when real interest rates turned negative, giving rise to much hedging demand for precious metals. (By the end of 1979 the gold price was pushing through $700 an ounce.)

Whether the authorities will in fact be prepared to maintain tight monetary policies once they are staring recession in the face is a moot point. Interest rates are likely to decline well before inflation does (especially given the pent-up wage demand already in the western system), giving rise again to meagre or even negative real returns on paper assets.

It is also worth bearing in mind that however large the prospective increase in gold production over the next few years, it is dwarfed by the rise in world money supply and wealth in general which has occurred during the supposedly monetarist eighties.

On the other side of the coin, a report published recently by London-based Metals & Minerals Research Services (M&M) is a kind of gold bears' manifesto. It points out that, from 1980-87, gold output in the non-socialist world rose at the "very buoyant" rate of 5% a year, with two-thirds of this increase coming from the US, Canada and Australia, where combined compound output growth has been a "staggering" 21% a year.

One obvious reason for this gold rush is that during the past eight years the gold price has averaged around $420 an ounce — well above the production costs even on relatively inefficient mines. The average price was nearer $120 an ounce during the seventies.

Spur to production. The increased use of sophisticated gold exploration and recovery techniques has also acted as a spur to production, especially the use of so-called "heap leaching" in the US and "off the shelf" carbon recovery plants in Australia. New financing techniques have helped gold miners too.

On top of all this, the low levels of base-metal prices experienced from 1982-87 encouraged those engaged in mining them to switch to precious metals exploration, gold in particular. (Base metal prices at present are, however, such as to provide an incentive for switching back again.)

In the US — now the world's third-largest gold producer after South Africa and the Soviet Union — M&M foresees further substantial gains in output over the next few years. The US "should easily be able to sustain a production rate of over 250 tonnes a year over the next decade."

This will be nearly three times 1985's rate of production. And, since about 80% of US gold output now costs less than $250 an ounce to produce, the price would have to fall some considerable way before such production becomes uneconomic.

(For perspective, total estimated mine production worldwide in 1988 was 1,490 tonnes, on top of which scrap provided 350 tonnes and Soviet-bloc sales a further 300 tonnes. Net of central bank purchases — which surged to 200 tonnes in 1988 compared with only 70 tonnes the previous year — total supply came out at 1,940 tonnes.)

Canadian gold production is expected to reach 190 tonnes a year by the end of 1990, which is double the production level five years ago. Average Canadian production costs in 1988 were even lower than those in the US — around $230 an ounce.

Gold rush. Australia's current "gold rush" has pushed mine production up to around 150 tonnes a year now compared with 17 tonnes in 1980, which means it is running neck and neck with Canada for the position of the world's fourth largest producer. Average production costs are around $250 an ounce.

Takeovers and mergers among gold producers have produced corporate giants hungry for profits and for new sources of gold production.

The "spillover" effect of this has been a dramatic increase in investment in gold production in Latin America and the Pacific Rim countries — Papua New Guinea especially.

Even assuming no increase in South African output — though South Africa may well decide to step up output in order to maintain its market dominance — the consequences of all this for the gold price, concludes M&M in truly bearish vein, could be "quite spectacular."

This prophecy seems already to be on the way to fulfilment. On 17 February, the gold price in London fell to $378 an ounce, its lowest level for two-and-a-half years, though by the middle of March it had recovered somewhat to nearer $390. This, though, was still a far cry from the $500 ceiling it commanded as recently as the end of 1987.

■ *Anthony Rowley*

(By special arrangement with the Far Eastern Economic Review, Hong Kong.)

Gold prices are in for a good deal of volatility as the market is facing massive oversupply and investors are not buying precious metals



DIET COKE & PEPSI CANS: A NEW SKIRMISH

BATTLE OF THE BELCH

Come summer and the battle to quench thirsty throats in on. Coke is already trying to take the pep out of Pepsi's sales and the latter is trying to choke Coke's marketshare.

This time Coke has fired the first round. During a Super Bowl (baseball game in the US) broadcast, Coke launched a 3D ad saying that Pepsi drinkers are switching over to Diet Coke. Pepsi reacted by making fun of the 3D glasses viewers had to wear to watch this ad.

More and more consumers are switching over to low-calorie soft drinks, thus sparking off a new battle in the cola war. And right now diet Coke is growing faster than Diet Pepsi. Pepsi has a disadvantage. Diet Pepsi has been around for 25 years and all the time it has been aiming this drink at figure conscious women. Now Pepsi is finding it difficult to shake off its image to cater to the growing band of diet drinkers. However Diet Coke was introduced more recently, and it is easier for the company to shift gears and cultivate male drinkers.

Pepsi too has been creative in the ad battles. It got pop stars Madonna and Michael Jackson to boost Pepsi's fizz.

Currently Coke has a 40.5% share of the $27 billion US soft drinks market, while Pepsi's is 30.7%. But in retail stores, Pepsi's share is going up (almost 32%), while Coke's share has surprisingly gone down.

ACTING FOR OZONE

The response to environmental crises is increasingly taking the form of global action. Over 120 countries, which participated in the 'Saving the Ozone layer Conference' in London in early March, accepted that the ultimate objective had to be the elimination of the production and consumption of chlorofluorocarbons (CFCs).

There was a general consensus on the need to protect the ozone layer against chemical substances that damage it. More importantly, there was also a common recognition that nations must act in concert to limit human activities that threaten the balance of atmosphere and climate.

Industrialists present at the conference referred to efforts being made "to accelerate work on substitute chemicals, to prevent losses of CFCs to the environment, to recover and recycle more in refrigerants and to eliminate ozone depleting chemicals from aerosols and insulating foam."

However, it wasn't roses, roses all the way. Many delegates argued that the Montreal Protocol, which sets out a plan for tackling these problems, did not go for enough. They also complained that the more stringent provisions of the protocol should be enforced even-handedly. Despite these pinpricks, one thing is clear: humankind is beginning to act as one to save life on earth.

SIEMENS CHIPS IN

The second generation of chips for digital television is here. Siemens, the West German electronics giant, has introduced a facility to display nine pictures simultaneously on the television screen.

A viewer can choose from nine channels at the same time. However, only one of them will have a moving picture while the remaining eight will show still pictures which can be continually updated. Even more: an active scene can be divided into nine individual pictures in chronological sequences, which allows close examination of a movement, etc. In addition, digital technology improves the picture quality, eliminating noise and interfering lines.

TAKE YOUR PICK



POST-1992 PROTECTIONISM

It is not just the developing countries who are afraid that European economic integration in 1992 will erect protectionist barriers around that continent. These fears have now been confirmed by conservative economists too. Among them: David Henderson, head of the economics and statistics department at the Organisation for Economic Cooperation and Development (OECD).

In a study published recently Henderson arrived at two principal conclusions. First, growth prospects of economies within the European Community (EC) will probably improve after 1992. Second, closer integration of the EC economies is unlikely to lead to freer trade with the rest of the world.

There could also be other potential effects on the world economy. A single European market will probably rein in inflationary tendencies through enhanced competition. This could benefit non-EC economies if it leads to a decline in real interest rates. However, if the rate of investment rises in Europe, this will probably offset the effect of lower inflation, and raise real interest rates.

Henderson's real concern, however, is that "the trade regime of the Community has moved in a non-liberal direction." Tariff reductions have been offset by increasing recourse to non-tariff barriers, he argues. And if such are the anxieties of a spokesperson of the developed world, what hope do the developing countries have of scaling the ramparts of Fortress Europe?

FAXINATING DEVELOPMENTS

Now, facsimile transmission (fax) is not restricted to documents alone. A British company, Eltime Vision Systems, has brought together the technologies of video, fax and computer to relay stills by fax.

Using special plug-in boards for any IBM PC-compatible computer, the Video Fax system developed by Eltime can transmit a video image to any group 3 fax machine. Apart from the two special plug-in cards for the computer, no modification is necessary to the standard equipment.

Other than a video camera, no photographs are involved as the system takes an image directly from a television monitor screen. Images are digitised by a frame store card after capture from the monitor. Software converts the picture into a form which can be faxed or stored on a standard floppy disk for future use. Software is also available for image processing such as contrast enhancement, highlighting parts of the picture by arrows or diagrams and adding small amounts of text before faxing.

A video fax system, except for the computer, can be supplied and installed for £ 2,000.

BREAKING BEER BARONIES

Big brewers in UK are frothing at the mouth. If the recommendations of the Monopolies & Mergers Commission (MMC) are implemented, it will break the cartel of the big brewers and ensure freer competition.

The MMC has recommended that no brewer should own more than 2,000 pubs and restaurants in the UK. If this recommendation is implemented, of the 80,000 pubs in Britain, about 20,000 will have to be sold off in the next three years.

There are six big brewers in the UK who produce three quarters of all the beer brewed and own 74% of all the pubs and restaurants. (Bass, the UK's biggest brewer, owns 7,300 pubs and restaurants.) They also control half the percentage of free pubs by offering them preferential or low interest loans. These brewers have kept the prices of beer higher than those of the retail outlets and have successfully thwarted competition by restricting the supply of drinks by other brewers to their pubs.

According to the secretary of trade and industry, Lord Young, the current monopoly "severely limits the opportunities for an independent wholesaling sector to prosper. The result is that both wholesale and retail prices are higher than they need be."

MODERATE INFLATION

Inflation continues its upward march in the industrial countries. According to figures published in the March issue of *International Financial Statistics*, the average rate of inflation increased to 3.3% in 1988 compared with 2.9% in 1987. There is, however, a silver lining. In relation to the average annual rate of 7.8% between 1970 and 1985, the 1988 rate of increase was a moderate one.

Higher rates of inflation were recorded by the US (4%), the Federal Republic of Germany (1.2%) and Japan (0.7%). The rate of inflation declined in France (2.7%, compared to 3.3% in 1987) and Canada (4% from 4.4%).

The highest rates of inflation were recorded in Iceland (24.7%) and New Zealand (10.5%). Switzerland (1.9%) and the Netherlands (0.8%) were among the countries with lower inflation rates.

BAD TIMES AT SAATCHI & SAATCHI

The brothers Saatchi — Charles and Maurice — are at last beginning to understand that the law of gravity holds good for Saatchi & Saatchi (S&S), one of the world's largest communications and consultancy groups. After 20 years of reporting rocketing profits, this year they expect the profit figure to plunge by £ 43 million over last year's figure of £ 138 million.

S&S's tale of woes started in 1986 when, following the takeover of Ted Bates Advertising, finance director Martin Sorrel quit to join rival WPP. Staff defected, accounts were lost, and S&S's share price collapsed. What didn't help the ad giant's image was an abortive takeover attempt of Midland, the British banking group, and hefty increases in the brothers' salaries and an offering of share options to them.

And this year S&S's US-based advertising agencies have been having a bad time with more accounts being lost and clients postponing campaigns. Besides, its property and human resources consultancy divisions in the US blundered by expanding operations more than necessary.

And to top it all, rumours abound that media magnate Robert Maxwell and Bob Jacoby (former head of Ted Bates Advertising) are separately gunning to take over S&S.

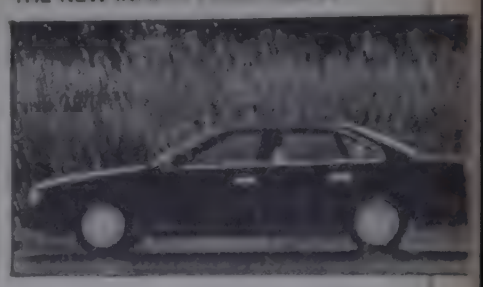
NISSAN'S NEW OFFERING

Selling cars in the US has today become more difficult than it was in yesteryears. The marketplace is so glutted that, according to an auto analyst, one has to be creative, unique and different.

Nissan Motor, the Japanese automaker which commenced selling cars in the US in 1958, now offers a new car which it says is unique. The company has launched a multimillion dollar ad campaign for Infiniti Q45 which will roll out later this year.

So what makes the car unique? First, the price. It is slotted in the $40,000 price range, which is $10,000 more than the average Cadillac car. Infiniti Q45 has given attention to such minor details as the switches and door handles. The switches are designed to suit even women with long fingernails. The door handles have been made out of die-cast metal (instead of plastic) to give it "a very nice cool feel when one touches it."

THE NEW INFINITI FROM NISSAN



BUSINESSWORLD STOCKMARKET TABLE

	INDUSTRY/COMPANY	FACE VALUE (Rs)	YEAR ENDED	SALES (Rs crores)	EQUITY CAPITAL	COMPOUND GROWTH OVER 5 YRS (%) IN EARNINGS	IN DIVIDENDS	EPS (Rs)	P/E 31 MAR	P/B.V 31 MAR	PAYOUT	SHARE PRICE 31 MAR (Rs)	MK.CAP 31 MAR (Rs crores)	%CH.CAP Over 18 MAR
I.	**AUTO ANC & TYRES**													
1.	CEAT	10	30/06/88	364.38	14.76	41.22	20.49	13.60	9.56	2.62	0.15	130.00	191.88	13.04
2.	CHLORIDE	10	31/12/87	188.40	20.66	13.29	17.42	5.05	15.45	4.33	0.61	78.00	161.15	0.00
3.	MICO	100	31/12/87	183.73	38.05	18.24	10.22	33.88	19.33	3.01	0.35	655.00	249.23	9.17
4.	MODI RUBBER	10	30/04/88	400.13	14.53	23.21	4.76	10.20	9.56	2.52	0.18	97.50	141.69	21.87
II.	**BASIC CHEMICALS**													
5.	NOCIL	100	31/12/87	288.10	36.00	49.84	16.14	48.22	17.83	3.38	0.41	860.00	309.60	9.55
6.	TATA CHEM	10	31/03/88	230.40	36.19	-8.63	27.27	2.03	60.34	2.38	1.48	122.50	443.33	4.70
III.	**BASIC METALS**													
7.	HINDALCO	10	31/12/87	372.05	17.81	39.94	9.89	11.48	22.65	6.07	0.15	260.00	463.03	-1.14
8.	INDIA FOILS	10	31/12/87	104.90	4.38	16.20	18.83	4.79	14.61	1.71	0.44	70.00	30.66	3.69
9.	MUKAND	10	30/06/88	303.02	14.74	20.11	12.76	8.08	12.87	6.76	0.21	104.00	153.30	21.64
10.	TISCO	100	31/03/88	1526.78	155.89	8.51	14.28	59.11	20.94	2.90	0.33	1237.50	1929.14	0.92
IV.	**CEMENT**													
11.	ANDHRA CEMENT	10	31/03/88	43.55	11.94	N.A	-100.00	-11.93	-0.88	1.36	0.00	10.50	12.54	0.00
12.	ACC	100	31/07/88	798.13	55.96	-19.68	-3.67	12.24	23.94	0.80	0.64	293.00	163.96	-2.01
V.	**CHEM INTERMEDIATES**													
13.	BASF	10	31/12/87	59.30	4.26	10.15	15.88	4.83	30.02	4.42	0.28	145.00	61.77	11.54
14.	COLOUR-CHEM	100	31/03/88	86.51	7.94	10.81	4.63	37.53	12.79	1.89	0.53	480.00	38.11	7.87
15.	DEEPAK NITRITE	10	31/10/87	23.60	2.43	10.30	5.05	3.99	21.30	3.21	0.36	85.00	20.66	14.91
VI.	**COMM VEHICLES**													
16.	BAJAJ TEMPO	10	30/09/87	152.91	6.58	-25.31	4.06	2.64	48.11	1.72	0.47	127.00	83.57	2.63
17.	MAH & MAH	10	31/10/87	599.28	19.26	1.11	9.40	5.76	16.23	2.02	0.38	93.50	180.08	1.63
18.	TELCO	100	31/03/88	1402.55	90.97	4.92	12.24	29.63	26.16	2.61	0.48	775.00	705.02	-1.90
VII.	**CONS DURABLES**													
19.	ASIAN PAINTS	10	31/12/87	201.72	12.45	32.95	30.02	10.07	21.35	5.91	0.30	215.00	267.68	-0.58
20.	PEICO	10	31/12/87	385.93	33.32	1.54	-8.12	1.04	23.08	1.23	0.96	24.00	79.97	20.00
21.	VIP INDUSTRIES	10	31/07/88	67.42	5.99	-4.21	N.A.	1.22	18.03	1.16	1.23	22.00	13.18	0.00
VIII.	**COTTON TEXT**													
22.	CENTURY SPG	100	31/12/88	521.27	26.62	15.65	14.96	97.82	18.30	3.04	0.31	1790.00	476.50	2.87
23.	MADURA COATS	10	30/06/88	258.49	21.81	11.31	15.56	6.49	14.79	3.31	0.46	96.00	209.38	1.05
24.	RAYMONDS	10	31/03/88	235.71	22.48	15.95	34.70	3.43	21.57	2.38	0.73	74.00	166.35	0.00
IX.	**DOMES CONS PROD**													
25.	COLGATE	10	31/12/87	182.20	15.72	27.89	24.19	9.63	37.38	18.31	0.52	360.00	565.92	5.88
26.	HINDUSTAN LEVER	10	31/12/87	933.68	93.32	13.34	22.33	4.98	16.87	4.16	0.50	84.00	783.89	7.69
27.	ITC	10	30/06/88	1190.45	33.17	20.17	13.21	7.47	8.57	2.30	0.47	64.00	212.29	6.67
28.	McDOWELL	10	30/06/88	157.19	7.74	-1.73	39.89	9.23	10.56	1.84	0.18	97.50	75.47	8.34
29.	RECK & COLMAN	10	03/01/88	59.28	8.40	25.17	13.43	6.51	25.35	6.38	0.23	165.00	138.60	6.45
X	**ELEC. ENGG**													
30.	BEST & CROMP	10	31/12/87	169.21	7.09	-20.75	-7.07	1.10	47.27	1.42	0.58	52.00	36.87	6.13
31.	FINOLEX CAB	10	30/11/87	60.58	3.24	50.69	32.42	25.22	16.21	7.95	0.09	408.75	132.44	11.23
32.	GENELEC	10	30/06/88	52.70	2.16	12.13	-0.86	6.48	6.56	1.20	0.23	42.50	9.18	-5.56
33.	OTIS	10	30/11/87	54.28	5.04	18.55	15.36	7.58	27.37	7.14	0.33	207.50	104.58	0.00
34.	SIEMENS	10	30/09/88	223.00	20.77	4.23	11.29	3.27	24.77	2.13	0.49	81.00	168.24	2.54
XI	**EQUIP. MANUF**													
35.	INGERSOLL	10	31/12/87	77.14	7.89	21.93	15.81	10.99	35.49	10.53	0.27	390.00	307.71	5.41
36.	KIRLOS CUMM	10	30/09/88	186.20	26.40	6.01	20.56	4.32	17.94	2.96	0.52	77.50	204.60	3.33
37.	MATHER & PLATT	10	30/06/88	46.92	10.24	15.18	16.31	3.60	14.17	3.12	0.43	51.00	52.22	-0.99
XII.	**FERTILISER**													
38.	GSFC	10	31/12/87	357.40	26.94	23.47	15.88	13.07	11.76	2.10	0.23	153.75	414.14	0.00
39.	SPIC	10	31/12/87	391.00	34.42	-23.18	N.A.	1.47	39.29	1.96	1.01	57.75	198.78	20.31
XIII.	**FOOD PROD**													
40.	BRITANNIA	10	30/11/87	192.10	12.38	23.92	16.60	6.37	16.09	3.80	0.38	102.50	126.90	5.13
41.	BROOKE BOND	10	30/12/88	639.94	24.73	24.33	15.97	9.84	14.43	4.97	0.38	142.00	351.17	5.18
42.	HIND COCOA	10	30/06/88	73.70	8.40	16.55	21.10	4.45	26.97	5.62	0.45	120.00	100.80	10.34

BOOM CONTINUES

The unprecedented boom in equities continued during the fortnight ended 31 March. Aggressive speculative buying and the revival of small investor interest pushed the prices of pivotal scrips up to dizzy heights. Encouraging corporate results and massive purchases by the financial institutions led to a shortage in floating stocks. Lower contango charges at 2% per month also bolstered the sentiment. Even dormant shares shot up by nearly 50%.

Reflecting the bullish trend, *The Economic Times* index for ordinary shares spurted from 327.9 on 17 March to a new peak of 394.8 on 31 March — a hefty rise of 5.87%. Following suit, the *Financial Express* index shot up from 521.04 to 550.72 during the same period. The *BusinessWorld* index rose to 196.38 on 31 March from 185.02 on 18 March.

Tata Steel, L&T, Grasim,

BUSINESSWORLD STOCKMARKET TABLE

	INDUSTRY/COMPANY	FACE VALUE (Rs)	YEAR ENDED	SALES (Rs crores)	EQUITY CAPITAL (Rs crores)	COMPOUND GROWTH OVER 5 YRS IN EARNINGS	COMPOUND GROWTH OVER 5 YRS IN DIVIDENDS	EPS (Rs)	P/E 31 MAR	P/B/V 31 MAR	PAYOUT	SHARE PRICE 31 MAR (Rs)	MK.CAP 31 MAR (Rs crores)	%CH.CAP 18 MAR
XIV.	**HEAVY ENGG/PROJ**													
43	ELECON ENGG	10	31/12/87	113.00	5.65	0.89	13.60	4.60	12.39	1.06	0.33	57.00	32.19	0.00
44	GAMMON	10	30/07/88	103.22	2.16	1.84	2.38	2.73	36.63	1.37	0.66	100.00	21.60	11.11
45	HIND DORR	10	30/11/87	42.66	2.38	25.48	14.03	16.43	6.85	2.02	0.23	112.50	26.78	6.23
46	ALFA LAVAL	10	30/11/87	51.00	5.21	15.13	15.63	5.37	20.02	2.76	0.34	107.50	56.01	10.26
XV	**LIGHT ENGG**													
47	SKF BEARING	100	31/12/87	83.86	12.35	15.64	7.60	87.77	29.62	7.50	0.25	2600.00	321.10	10.17
48	BHARAT FORGE	10	30/09/87	120.10	11.42	33.86	6.63	5.76	19.97	3.44	0.22	115.00	131.33	15.00
49	IND OXYGEN	10	30/09/87	131.00	14.60	-9.51	1.03	2.16	21.99	2.24	0.74	47.50	69.35	0.00
50	SANDVIK ASIA	100	31/12/87	38.93	5.78	-5.93	9.37	23.53	32.09	3.28	0.85	755.00	43.64	8.64
XVI.	**MULTI PRODUCTS**													
51	IEL	10	30/09/87	478.41	40.87	-17.55	-3.37	1.24	44.35	1.95	1.06	55.00	224.79	17.02
52	LARSEN & TOUBRO	10	30/09/87	573.10	60.75	7.47	15.43	4.55	22.31	2.76	0.41	101.50	616.61	10.93
53	RALLIS	10	31/05/88	261.66	9.52	14.72	20.80	4.86	30.86	3.74	0.62	150.00	142.80	3.45
54	VOLTAS	100	31/08/88	544.70	12.78	16.68	12.34	75.89	9.16	2.02	0.29	695.00	88.82	7.75
XVII.	**PASS VEHICLES**													
55	BAJAJ AUTO	10	30/06/88	552.83	18.82	30.54	28.68	15.54	27.03	3.67	0.26	420.00	790.44	12.00
56	KINETIC ENGG	10	30/06/88	101.91	1.20	22.51	21.92	31.33	6.06	1.18	0.13	190.00	22.80	2.01
57	HIND MOTORS	10	31/03/88	429.99	26.41	N.A.	-7.20	-1.02	-41.67	1.42	-0.74	42.50	112.24	14.09
XVIII.	**PEST & AGROCHEM**													
58	BAYER	100	31/12/87	111.70	16.22	9.38	12.80	27.19	31.63	5.10	0.59	860.00	139.49	2.38
59	SEARLE	10	31/12/87	35.00	5.22	35.23	20.34	5.34	28.09	3.85	0.25	150.00	78.30	5.71
XIX.	**PHARMA**													
60.	GLINDIA	10	30/06/88	230.13	20.00	14.50	8.10	5.08	18.21	3.88	0.39	92.50	185.00	2.21
61.	HIND CIBA	100	31/12/87	176.80	17.71	6.26	13.26	38.17	24.63	3.37	0.52	940.00	166.47	-1.06
62.	HOECHST	100	31/12/87	158.81	9.58	-16.27	-6.52	13.67	61.45	2.27	0.73	840.00	80.47	18.30
XX.	**PLANTATIONS**													
63.	ASSAM CO	10	30/06/88	46.86	7.00	39.73	42.02	7.59	17.13	3.28	0.55	130.00	91.00	1.96
64.	McLEOD RUSSEL	10	30/06/88	61.50	6.25	34.22	24.65	10.32	8.48	1.91	0.35	87.50	54.69	4.49
65.	TATA TEA	10	31/12/87	151.10	12.20	24.81	N.A.	9.04	16.26	2.68	0.50	147.00	179.34	0.00
XXI.	**PLASTICS & PAPER**													
66.	BALLARPUR	10	30/06/88	371.00	13.98	-3.45	-1.17	3.44	31.98	1.89	0.64	110.00	153.78	10.00
67.	BHADRACHALAM	10	30/09/87	48.85	10.57	-4.64	7.84	4.16	12.74	2.21	2.00	53.00	56.02	15.22
68.	GARWARE POLY	10	30/06/88	102.82	10.94	19.25	23.48	5.29	14.65	2.39	0.29	77.50	84.79	-1.58
69.	SUPREME IND	10	30/06/88	68.92	1.80	32.68	31.43	18.67	11.78	4.82	0.19	220.00	39.60	-1.12
XXII.	**POWER GENERATION**													
70.	CAL ELEC SUPP	10	31/03/88	358.72	16.95	9.44	10.82	4.93	4.26	0.42	0.32	21.00	35.60	9.10
71.	TATA POWER	100	31/03/88	342.42	20.00	14.09	11.91	86.10	3.72	0.66	0.21	320.00	64.00	2.66
XXIII.	**SERVICE IND**													
72.	EAST IND HOTELS	10	31/03/88	80.25	23.61	1.77	3.69	2.94	19.05	2.08	0.52	56.00	132.22	0.00
73.	HDFC	100	30/06/88	106.20	19.79	33.12	27.37	65.45	3.03	0.91	0.26	198.00	39.18	0.00
74.	20TH CENT FIN	10	30/03/88	28.02	8.88	23.76	49.01	3.16	6.01	0.91	0.85	19.00	16.87	0.00
75.	TATA UNISYS	10	31/12/87	27.12	4.38	-1.18	12.19	3.54	21.19	4.11	0.62	75.00	32.85	-14.30
XXIV.	**SHIPPING**													
76.	ESSAR SHIP	10	31/12/87	60.50	33.42	8.46	25.04	2.33	10.41	1.41	0.86	24.25	81.04	10.98
77.	GR EASTERN	10	30/06/88	112.55	55.66	12.54	7.85	1.69	24.56	2.44	0.51	41.50	230.99	18.57
XXV	**SYNTHETIC TEXTILES**													
78.	CENTURY ENKA	100	31/12/87	308.79	16.61	37.53	20.82	223.24	12.01	3.98	0.19	2680.00	445.15	0.00
79.	GRASIM	10	31/03/88	675.67	37.78	16.35	6.46	4.39	25.40	2.81	0.36	111.50	421.27	9.85
80.	RELIANCE	10	30/06/88	1778.19	152.04	15.36	42.28	3.45	40.58	2.09	0.70	140.00	2128.56	13.82
	TOTAL			22913.54	1773.56								18172.76	

BUSINESSWORLD INDEX (31 MAR) = 196.38 18 MAR = 185.02 (BASE 29 JUNE 1987 = 100)

EPS: EARNINGS PER SHARE P/E: PRICE EARNINGS RATIO P/B.V.: MARKET PRICE TO BOOK VALUE %CH.CAP: PERCENTAGE CHANGE IN MARKET CAPITALISATION

Mukand and Nocil gained ground during the last days of the financial year, in sharp contrast to preceding years, when shares were artificially hammered down with a view to achieving a lower valuation for wealth tax.

Basic metals shares continued to forge ahead on sizeable speculative buying and hectic bear covering.

Fertilisers and chemicals shares gained further ground on investment buying and the absence of fresh offerings. However, pharmaceuticals shares were easy on profit-taking.

"Investors should book profits in equities, as prices have suddenly flared up. Moreover, political instability may influence the market trend. However, companies with strong fundamentals will continue to show an upward trend," observes Anand Diwan, editor of the Bombay-based *Sharemarket newsletter.*

■ *S. Dhruv*

THE IMPORTANCE OF THE P/E RATIO

Sometimes, share prices seem to defy logic. Consider: the price of a Rs 10 share of Reliance Industries on 10 March 1989 was Rs 123.50 whereas that of Larsen & Toubro was Rs 95.50 and that of Hindustan Lever Rs 80. The earnings per share (EPS) of the respective companies were Rs 5.20, Rs 5.10 and Rs 5.00.

The questions that arise immediately are: (a) Why were the share prices so different? (b) How is it that Reliance shares were more highly priced despite only a marginal difference in the EPS? And (c) What price would be reasonable for the purchase of any of these shares?

The price of a share is really determined by the investing public's confidence in a company and their expectations about future prospects, the ability and competence of its management and the future earnings of the company. Generally speaking, a company whose shares are priced high is expected to earn a higher profit and record a higher EPS than others that are not so highly priced.

POPULAR RATIO

One tool that is used by analysts, financial experts and investors to check whether shares are reasonably priced is the price-earnings ratio (or the P/E ratio, as it is often termed). This ratio is extremely popular as it reduces to an arithmetical figure the relationship between market price and EPS and thereby gives one the opportunity to make comparisons between shares. One can use it to determine whether a share is overpriced or underpriced and to check the period of time it will take to recover the investment. But, above all, the P/E ratio reflects the market's opinion about the company.

The price earnings ratio reflects the reputation of a share in the market, the confidence of the shareholders and the earning potential of the company. No one should invest without examining this ratio

The P/E ratio is arrived at by dividing the price or market value of a share by the EPS. The EPS itself is arrived at by substracting the dividend payable on preference shares from profits after tax and dividing the net amount by the number of equity shares issued by a company.

To illustrate: Pudina Ltd. is a company involved in the export of textiles to Europe and North America. Its shareholders' funds on 31 December 1988 were 200,000 ordinary shares of Rs 10 each worth Rs 20 lakhs, 10,000 10% preference shares of Rs 100 each worth Rs 10 lakhs and reserves of Rs 50 lakhs. The total worked out to Rs 80 lakhs.

In the financial year ended 31 December 1988, the profit after tax (Pat) was Rs 15 lakhs. The market price of the share on that day was Rs 105. Thus the EPS works out to Rs 7 and the P/E ratio to about 15. This can be interpreted to mean that, based on the EPS, it will take 15 years to recoup the investment made.

If it takes 15 years to recoup the investment, the return per annum works out to 6.7%. The question that immediately springs to mind is: why should anyone wish to invest in a share that gives such a small return coupled with the obvious risks of the share falling in value?

People invest in shares because they believe that for the risks they take, the return will be higher. If one expects a return of 20%

P/E FORECAST TABLE

Annual growth rate in %	First year		Second year		Third year	
	Earning	P/E at 40% appreciation	Earning	P/E at 70% appreciation	Earning	P/E at 100% appreciation
10	1.10	12.7	1.21	14.0	1.33	15.0
11	1.11	12.6	1.23	13.8	1.37	14.6
12	1.12	12.5	1.25	13.6	1.40	14.3
13	1.13	12.4	1.28	13.3	1.44	13.8
14	1.14	12.3	1.30	13.1	1.48	13.5
15	1.15	12.2	1.32	12.9	1.52	13.2
16	1.16	12.1	1.35	12.6	1.56	12.8
17	1.17	11.0	1.37	12.4	1.60	12.5
18	1.18	11.9	1.39	12.2	1.64	12.2
19	1.19	11.8	1.42	12.0	1.69	11.8
20	1.20	11.7	1.44	11.8	1.73	11.6
25	1.25	11.2	1.56	10.9	1.95	10.3
30	1.30	10.8	1.69	10.1	2.20	9.1

p.a. one believes that the price of a share of Pudina Ltd. will increase to Rs 126 (i.e. 20% more than purchase price of Rs 105) in a year's time. Assuming that the earnings also grow at a rate of 20% p.a. the EPS will be Rs 8.50. The P/E ratio will then be nearly 15. If, however, the price remains constant the P/E will fall.

The P/E ratio will be high as long as the investing public has faith in a company's ability to grow and to earn a return or an appreciation in its share price. It will fall as soon as this confidence disappears. This is why prices rise dramatically in periods of boom and crash during a depression.

Using the P/E ratio as a basis for purchase decisions has one problem. The ratio is calculated on the current market value while the earnings relate to the previous year. This can, however, be corrected to an extent by basing one's calculations on the estimated earnings for the current and future years.

The safest and most liquid investment a person can make is in a scheduled bank deposit which can earn a return of around 10% p.a. The P/E of this is effectively 10 (Rs 100 divided by 10%). The next safest is in public sector bonds, which pay interest of up to 14% p.a. The P/E is 7.3.

What this means is that for literally risk-free investments, the P/E does not exceed 10 — i.e. one can recover one's initial investment in 10 years.

What P/E then is reasonable? The market price of a share is arrived at on the basis of a number of factors, the major ones being:

- the nature of the company, its management, the track record and the prospects of the industry that the company operates in;
- the rate at which the company's earnings are likely to grow and the dividend policy of the company;
- the demand for the shares of the company. If a person is attempting a takeover (example: the Ambanis cornering L&T shares), the prices will rise; and
- the rate at which the market expects the share to grow.

Different people can view the same scrip in different ways. Their attitudes could depend on the return they wish, the prospects and the like. Consequently, the price they are prepared to pay will differ.

Let us assume that the price of a share of Malini Bearings Ltd. is Rs 20. The company is growing and it is anticipated that the price will rise to Rs 40 in three years. There are two investors — Raman and Ravi. Ravi wants to double his investment in three years. Raman wants to triple his investment in three years.

In this situation, Ravi will be prepared to pay Rs 20 per share whereas Raman will not be prepared to pay more than Rs 13.30. (In this example, for convenience, other factors have not been considered.) What it boils down to is that the P/E that one considers reasonable is the one that fulfils one's return requirements. In this it would be wise to remember that a P/E of 20 or over can normally be justified only if a company has a high growth rate (at least 10% p.a.).

The P/E ratio is extremely popular because it reduces to an arithmetical figure the relationship between market price and earnings per share. It gives one the opportunity to make comparisons between shares



60% RULE

There are other ways to approach investment decisions. The 60% rule is one of them. This rule states that one should not purchase a share in a company at a P/E that is more than 60% of the growth anticipated. For example, if the earnings of Homedale Petrochemicals are anticipated to grow at 25% p.a., the purchase price should not exceed a P/E of 15.

The table illustrates the P/E one may pay in the first, second and third years at different growth levels based on the assumption that the price of the share will rise by 40% in the first year, by a further 30% (70% appreciation on the purchase price) in the second and will double in value in the third year.

Example: If Nivya Ltd. is expected to grow at the rate of 15% p.a. and one expects a capital appreciation of 70% in two years, the P/E ratio at the end of two years will be 12.9.

A word of caution. Future earnings are difficult to predict, especially for the average investor, and are at best estimates. The table should, therefore, not be taken as immutable. Although the earnings might grow, the prices may not and vice versa. Hence, the table should be studied with this in mind. It is because of this that the 60% rate is often preferred.

As it is difficult to predict future growth, an investor would be wise to rework his calculations and conclusions as new developments take place. It should also be remembered that it is difficult for a company to sustain the same level of growth for a long period. New, unknown and untried companies that do not have a track record of competence have low P/Es and, consequently, they may seem to be attractive investments. They may be, but before investing in these companies, one should remember that they are unknown and possibly lack investor confidence.

In conclusion, the price-earnings ratio reflects the reputation of a share in the market, the confidence of the shareholders and the earning potential of the company. It is a useful thing to consider before investing in a company.

■ *Raghu R. Palat*

The author is regional audit manager (South Asia) of American Express

EXPORT SCRIPS SEEM TO BE GOOD BUYS



The scrips of good export-oriented companies appear to be good bets given the government's all-out support for the export sector

The Union government is today in the soup because of the balance of payments position. If investors in equity do not watch out, they could similarly imperil themselves by ignoring this aspect.

The figures say it all. The country's trade deficit during April-December 1988 widened sharply to Rs 6,601 crores, compared to Rs 4,914 crores in the corresponding period of 1987. Foreign exchange reserves expectedly slipped from Rs 7,287 crores on 31 March 1988 to Rs 5,844 crores on 13 January 1989.

The government's policy changes are having — and will continue to have — a far-reaching impact on the fortunes of many industries and share prices. The direct benefits are today going to export-oriented companies. They are totally exempt from income tax on export profits. The steady fall in the value of the rupee vis-a-vis other currencies has resulted in a substantial increase in their profits. A favourable exchange rate for exports also means that underinvoicing will be a thing of the past, once again giving profits a boost.

Most of the export-oriented companies have been lying low in the share market; only now are they slowly emerging as favourites. The diamond business is now a particularly bright star with a 72% growth in exports. Jatin Mehta's **Su-Raj & Classic Diamonds** will lead others. **Ferro Alloys** is riding the crest of the stainless steel boom with exports of charge chrome. **Nahar Spinning** has a hefty 20% margin on its exports and is heading for record earnings.

Another fallout of the balance of payments crisis will be import restrictions. Because of the scarcity of foreign exchange, local producers do not face the threat of cheaper imports. If domestic demand is good, companies are likely to do very well. The sectors to watch are tyres, ball bearings, sugar, steel and chemicals. **Modi Rubber, Goodyear, J.K. Industries, SKF Bearings, Kesar Sugar, Ponni Sugar, Tisco** and **Tata Chemicals** may touch new heights in the near future. The fertiliser industry should also experience a complete turnaround.

Import substitution will also get a shot in the arm. The automotives boom, which was led by CKD technology, can now be sustained only with rapid indigenisation. Among Maruti ancillaries, **Bharat Seats** is an attractive buy. For an ancillary to be successful, it must reduce its import content quickly.

For **Telco**, the current situation may prove a bonanza. On the one hand, exports will boom, on the other, its new LCV will become highly competitive. This will lead to much higher sales volumes and thereby handsome margins.

But the weakness of the rupee will play havoc with many companies' finances. The companies most affected will be the ones which have recently imported capital goods with foreign currency loans. This will also affect CKD importers, particularly when the end-product is pitted against a totally indigenous product. One should be very careful while investing in a company which has a large outgo of foreign exchange whether for raw material imports or for loan repayments.

All investment decisions must take into consideration the foreign exchange implications; otherwise the investor will find himself up muck creek without a paddle.



■ *Raamdeo Agrawal*

The author is a Bombay-based investment consultant.

PICKING NEW ISSUES

JCT Fibres was formerly known as Punjab Polyfibres. The Punjab State Industrial Development Corporation (PSIDC) got a letter of intent for the manufacture of 6,000 tonnes per annum (tpa) of polyester staple fibre (PSF) in the early seventies. Project implementation was postponed mainly because it was felt the capacity was unviable. In 1981, the PSIDC received another letter of intent to manufacture 15,000 tpa of PSF. It then signed an agreement with Jagatjit Cotton Textile Mills Ltd. (JCT) for financial collaboration and implementation of the project.

JCT holds 24% of the capital while PSIDC holds 11%. Zimmer AG of West Germany has been selected as the technical collaborator. The company has had its annual capacity enhanced to 30,000 tpa and is implementing the project in two phases. Accordingly, the industrial licence has been amended: the existing capacity of 18,000 tpa has been enhanced by 12,000 tpa, which adds up to 30,000 tpa. The cost of the project is estimated at Rs 128.18 crores. And the company's name has been changed to JCT Fibres.

What are the prospects for JCT Fibres? As is well known, the PSF industry is in dire straits. Installed capacity is on the rise, but this is not the case with demand. The installed capacity was around 25,000 tonnes a decade ago, and is currently placed at over 2,50,000 tonnes. And with new plants coming up, the figure will soon cross 300,000 tonnes. The present demand — barely a third of the supply — is estimated at around 100,000 tonnes. This imbalance has made PSF prices plummet. The industry's plight is reflected by the performance of Indian Organic Chemicals (IOC), a leader in the field, which skipped dividend for the year ended 31 March 1988. This ex-blue chip's net profits of Rs 8.10 crores in 1986 turned into yawning losses of Rs 11.11 crores in 1988.

PSF PRICES

However, PSF prices, which were quoting at around Rs 50-54 per kg in May 1988, subsequently rose due to the formation of a cartel. From Rs 74 in September 1988, they increased further to Rs 84 in October and the manufacturers were planning a further price hike to around Rs 90-92 in November. The share price of IOC, which was quoting at a low of Rs 15, spurted to Rs 50 in just six months. At these higher price levels, the industry started facing consumer resistance. Buyers preferred to switch to cotton yarn. Moreover, Bombay Dyeing, a leading producer of DMT (a raw material for PSF), jacked up its prices in October 1988. Incidentally, Bombay Dyeing had been maintaining its price line at Rs 21 per kg of DMT for the past three years. The hike in import duties on paraxylene from 85% to 120% coupled with its rising price in the international market forced Bombay Dyeing to raise its DMT prices. A further price rise of DMT was announced in January 1989 from Rs 30.70 per kg to Rs 35.70 per kg. In the past five months or so, the price of PTA, an alternative to DMT, has also skyrocketed from Rs 23 to Rs 40 per kg.

To help investors choose from among the public issues now on offer *BusinessWorld* takes a look at a few of them

JUSTIFICATION

Bombay Dyeing justified the raising of its DMT price last January by attributing it to the increase in the price of paraxylene in the international market from around $730 per tonne in October 1988 to $980 per tonne in January 1989. The industry was faced with a situation of rising costs, which could not be passed on to the consumers. The share price of IOC declined from Rs 50 in January 1989 to Rs 25 in March 1989.

The Union budget of 1989-90 reduced the import duty on paraxylene from 120% to 90%. Bombay Dyeing duly cut DMT prices by Rs 2.70 per kg but on the same day National Organic Chemical Industries Ltd. (Nocil) increased the price of Meg (monoethylene glycol, another fibre input) by Rs 1.50 per kg, nullifying the impact.

The PSF industry is currently working at less than 40% capacity. Two new units — India Polyfibres and Orissa Synthetics — have turned sick. In the prevailing situation, one wonders how JCT Fibres can fare. One way of stemming the rot could be for the government to reduce the excise duty on PSF to Rs 2.50 per kg from Rs 15.66 at present and reduce the import duty on paraxylene to 40% from 90% at present.

JCT Fibres, which is making a public issue of 37 lakh non-convertible debentures of Rs 100 each and 5 lakh 10% cumulative convertible preference shares of Rs 100 each, compares favourably with India Polyfibres and Orissa Synthetics in terms of capacity. While both the latter companies have a capacity of 15,000 tpa, JCT's capacity is 18,000 tpa. Its equity too is higher at Rs 38 crores, as against Rs 23.80 crores in the case of India Polyfibres and Rs 22.90 crores of Orissa Synthetics.

Issue opening date: 12 April.

Dewan Tyres was incorporated in 1983 and commenced production in March 1987. It is backed by the promoters of Dewan Rubber Industries.

At present, the company has facilities to manufacture 5 lakh tyres and 6 lakh tubes per annum for scooters, motorcycles, mopeds and other vehicles. The company has now undertaken a programme to expand its present product range by setting up additional facilities for the production of 2.4 lakh tyres and 3.6 lakh tubes.

The proposed expansion includes tyres and tubes for light commercial vehicles (LCVs), jeeps, tractors, etc. The company holds a letter of intent for the manufacture of 15 lakh tyres and tubes each per annum.

The total cost of the project is estimated at Rs 9.25 crores, which is proposed to be financed as under:

Equity capital: Promoters: Rs 1.65 crores; Picup (Pradeshiya Investment Corporation of Uttar Pradesh): Rs 10 lakhs; and public issue: Rs 1.40 crores. This adds up to a total of Rs 3.15 crores.

Term loans: ICICI in participation with IDBI and IFCI: Rs 5.70 crores.

Besides this, there are unsecured loans of Rs 15 lakhs and internal accruals of Rs 25 lakhs. In addition to the equity capital, this adds up to Rs 9.25 crores.

The demand for tyres is directly related to the growth of the road transport sector, which is growing at a rapid clip. However, tyre companies catering solely to the two-wheeler segment are less fancied by investors. Undoubtedly, the company proposes to broaden its product range and cater to the requirements of LCVs and other types of vehicles. But at the same time, it will have to compete with established names having large financial resources and superb marketing expertise and clout.

Issue opening date: 26 April.

Mahadeo Fertilisers has been promoted by A.K. Misra and his associates to manufacture 33,000 tpa of sulphuric acid (SA) and 66,000 tpa of single super phosphate (SSP). The cost of the project is estimated at Rs 8.73 crores.

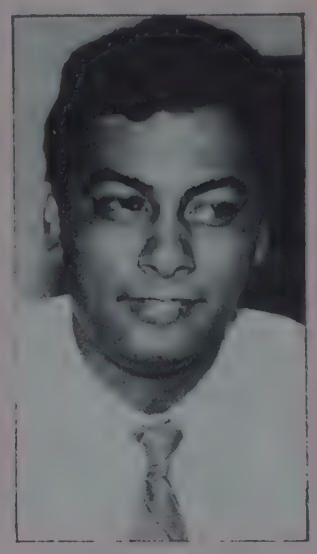
The SA and SSP plants have been commissioned and commercial production has already begun.

The granulated SSP plant is nearing completion and is expected to commence production shortly.

The group is unknown with no established track record. A wait-and-watch policy is advised.

Issue opening date: 26 April.

Super Sales Agencies was incorporated in 1981 to erect and maintain textile machinery. Later, the company began to market textile machinery manufactured by Lakshmi Machine Works (LMW) Ltd., and then, it moved into leasing. It primarily concentrated on the leasing of generators to meet the requirements of small-scale industries. In 1985, the company bought a spinning mill with an installed capacity of 31,104 spindles and since then has been operating it.



The company's income comes mainly from two divisions: the agency division and the textile division. The former is engaged in marketing textile machinery and computer-controlled machine tools manufactured by LMW. In this division, since the principal's share of the Indian market is substantial, the profitability of the company is also quite good.

TEXTILE PROFITS

The textile division made profits initially. However, subsequently, it did not fare well due to high labour costs. However, recently, a lot of restructuring has taken place and the outlook has improved. The company's track record has been fairly good, though somewhat erratic.

The turnover of the company has been rising since 1986. It went up from Rs 11.39 crores in that year to Rs 14.20 crores in 1988. Gross profits, however, dipped from Rs 1.02 crores in 1986 to Rs 83 lakhs in 1987 and jumped to Rs 1.11 crores in 1988. Net profits reflected the same erratic trend.

As of 30 November 1988, the company's equity base stood at Rs 40 lakhs and reserves at Rs 2.35 crores. Super Sales has already declared a dividend of 22%, absorbing Rs 13.20 lakhs, which has not been provided for and hence will have to be deducted from the reserves. The net reserves would then stand at Rs 2.22 crores. The company is declaring a 1:2 bonus issue, enhancing the capital to Rs 60 lakhs and reducing reserves to Rs 2.02 crores. The position prior to the public issue appears thus:

The equity is Rs 60 lakhs; reserves — Rs 2.02 crores; net worth — Rs 43.7 lakhs; earnings per share (adjusted) — Rs 13.30; and dividend — 22%.

Thus, on the basis of financial performance, the issue price of Rs 20 per share appears reasonable. The company is now increasing its equity by Rs 90 lakhs, which will enhance the total equity to Rs 1.50 crores and reserves to Rs 2.92 crores, making a post-issue book value of Rs 29.50, and earnings per share of Rs 5.30.

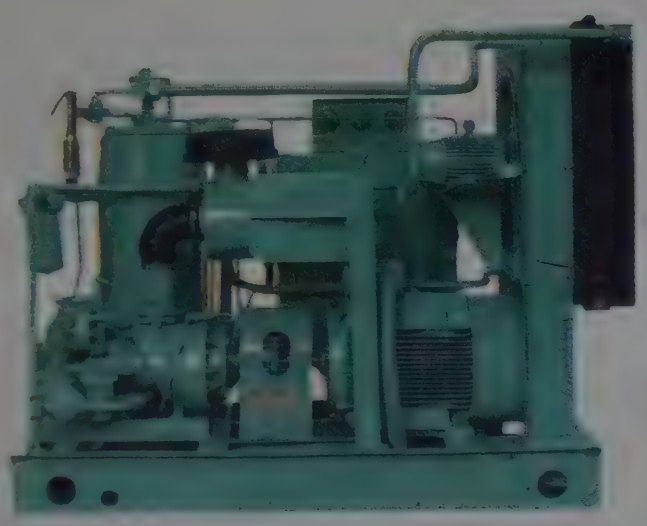
Both the divisions are expected to do well, so the outlook for this company appears promising. The only snag is that this group is not popular with the investors and hence shares are not fancied. As a result, the group's shares are not only thinly traded, but also do not reflect their true worth.

■ *Clifton Desilva*

The author is a Bombay-based investment manager.

Elgi Screw Compressors
Custom built solutions
that gives industry
the confidence to innovate





ELGI's R&D Wing comprises some of the finest minds in the industry. Working closely with the latest advances in American and German know-how.

The R&D Wing has been responsible for innovating relevant solutions to numerous industrial needs. Like the special oil flooded compressor for the textile, pharmaceutical and other industries. Over 1000 ELGI Screw Compressors have been installed in just 4 years.

Made with care and stringently tested, ELGI Screw Compressors come in over 30 standard models. Electric motor–and diesel-driven. Single and two-stage. Stationary and portable. In a range of working capacities. All built so ragged that basic maintenance is all they require.

ELGI. It is the final word in Screw Compressors.

ELGI
Screw Compressors

Low on maintenance.
High on performance.

ELGI EQUIPMENTS LIMITED
India House, Trichy Road, Coimbatore-641 018. Phone: 30355
Grams: HYDRAULICS; Telex: 0855-222, 0855-347

Branches:
Ahmedabad: Tels. 409336, 409119 & 407583 **Bangalore:** Tels. 576638 & 567580 **Bhopal:** Tel. 61733 **Bombay:** Tels. 4930163 & 4930164 **Bhubaneshwar:** Tel. 56785 **Calcutta:** Tels. 280495, 28[illegible]385 & 289[illegible]96 **Cochin** Tels. 369155 & 369443 **Hyderabad: Tele 6850 & 6830 Jaipur:** Tel. 68390 **Madras:** Tels. 566694 & 566995 **Madurai:** 31404 & 31665 **New Delhi:** Tel. 5437[illegible]03 **Salem:** Tels. 2[illegible]91 & 2[illegible]437 **Distributors: Lucknow** Auto Service Equipment Tels. 47565 (Off.) 49646 (Res.) **New Delhi:** Auto Service Equipment Tel. 598906 **New Delhi:** Service Equipment Company Tels. 331361[illegible] & 331[illegible]72 **Pune:** Garage Equipment Corporation Tels. 68943 (Off.) 449866 (Res.)



THE BALSARA HEADQUARTERS IN BOMBAY

SPOTLIGHT

THE MAN WHO RATTLED COLGATE-PALMOLIVE

Multinational - bashing has always been a very popular pastime: politicians, regardless of their stripe, do it whenever opportunity beckons. Multinational-beating is, however, a different ballgame altogether. It takes a Karsanbhai Patel of Nirma to cow a Hindustan Lever or an Aspi Balsara of Balsara Hygiene Products Ltd. to send a Colgate-Palmolive scurrying for storm shelters.

That Balsara has done it again with the launch of his Babool toothpaste last year is evident from the frantic activity that the event provoked in Colgate's Bombay headquarters. Babool notched up a 6% market share in no time, putting to shame majors like Hindustan Lever's Close-Up and Hindustan Ciba Geigy's Cibaca which have struggled for years without reaching that mark.

In a development reminiscent of Balsara's earlier launch of its Promise toothpaste, Colgate took the company to court for alleged trademark infringement. Eventually there has been an out-of-court settlement with Balsara agreeing to modify the Babool package. But Colgate's guerilla tactics, especially at the launch stage, when it should have been all systems go, has cost Balsara dear.

STRONGARM TACTICS

"I have lost Rs 1 crore because of the case against Babool," rues Aspi Balsara, the battered but unbowed chairman and managing director of Balsara Hygiene Products Ltd. (BHPL). "It is money a small Indian company cannot afford. These MNC strongarm tactics should be deplored."

Deplorable or not, such tactics could have been expected. In the Promise instance, Colgate, which commands a whopping 57.5% share of the toothpaste market, obtained a stay on marketing and distribution. Though the stay was vacated, 10 years later the case still goes on.

With Babool, however, BHPL felt that it had done its homework. Two of the panels of the Babool pack are in green (Colgate's main objection is the use of the red and white colour combination). "We thought we had left them with no grounds for protest," says S.A. Swamy, marketing controller. Swamy should know; he had earlier done a 20-year stint with Colgate and was in fact with the company when it got the heebie-jeebies over the Promise launch.

BHPL has given other people the heebie-jeebies too. Earlier, when it launched its cleaning powder — Odopic — the company took on the mighty Hindustan Lever. And, though the latter's Vim remains clear leader in the organised sector, Odopic has made a dent. "If nothing else we arrested the growth of Vim in terms of market share," says director N.S. Rajadhyax, who has for many years steered BHPL's marketing efforts.

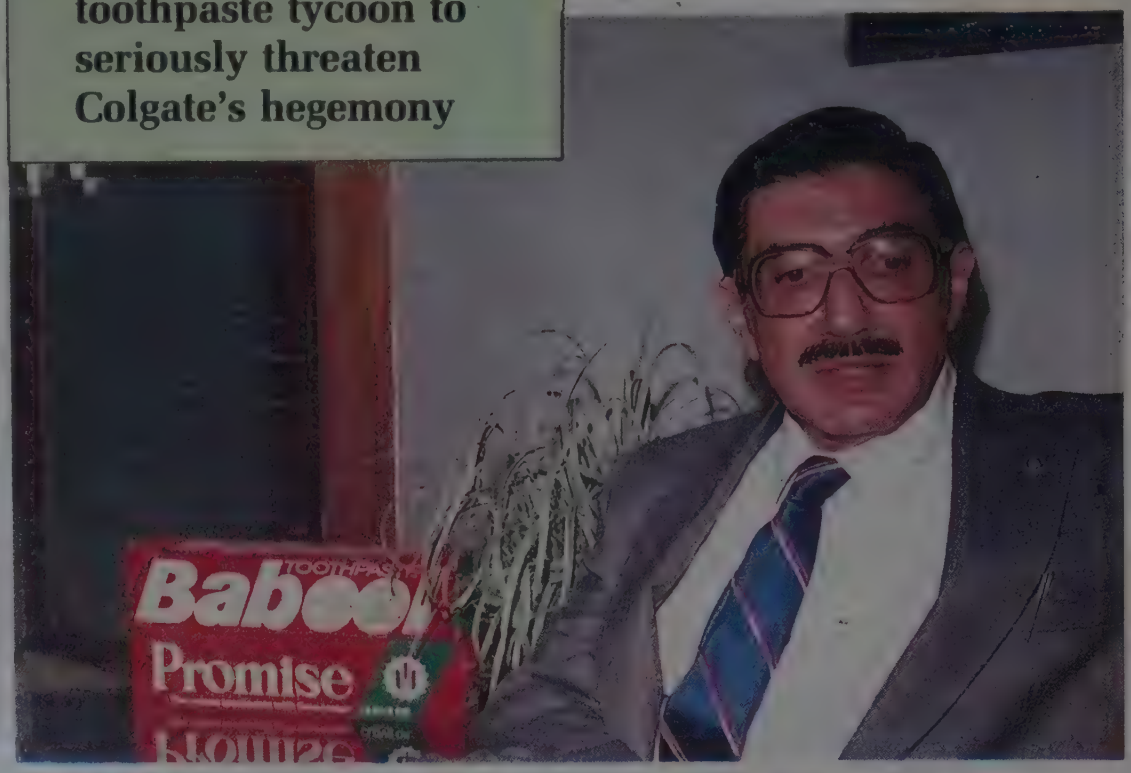
Rajadhyax regrets that there are very few Indian companies which have the guts to challenge the multinationals or, for that matter, feel they have the ability to do so. It is a philosophy he has obviously imbibed from Aspi Balsara. "Indian industrialists don't see the vast potential of our market," says Balsara. "The MNCs like Pepsi and Coke are coming back, but Indian companies are doing nothing."

BHPL, for one, is doing something. "There are many more Babools coming out of our laboratories which will be more popular," says S.G. Shaligram, a PhD. in microbiology from Pune University, who heads the R&D effort at BHPL. Installed in a spanking new research centre just off Bombay's high-rise Nariman Point, Shaligram is now working on the effectiveness of herbal ingredients in a whole array of products.

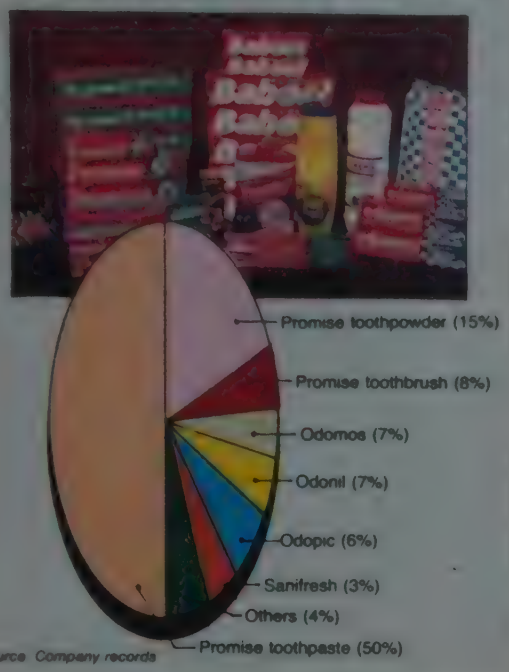
HERBAL PRODUCTS

The herbal motif has become BHPL's unique selling proposition (USP) almost by accident. When the first Colgate-BHPL tussle arose, Balsara had to compromise and change its pack by emphasising the clove oil

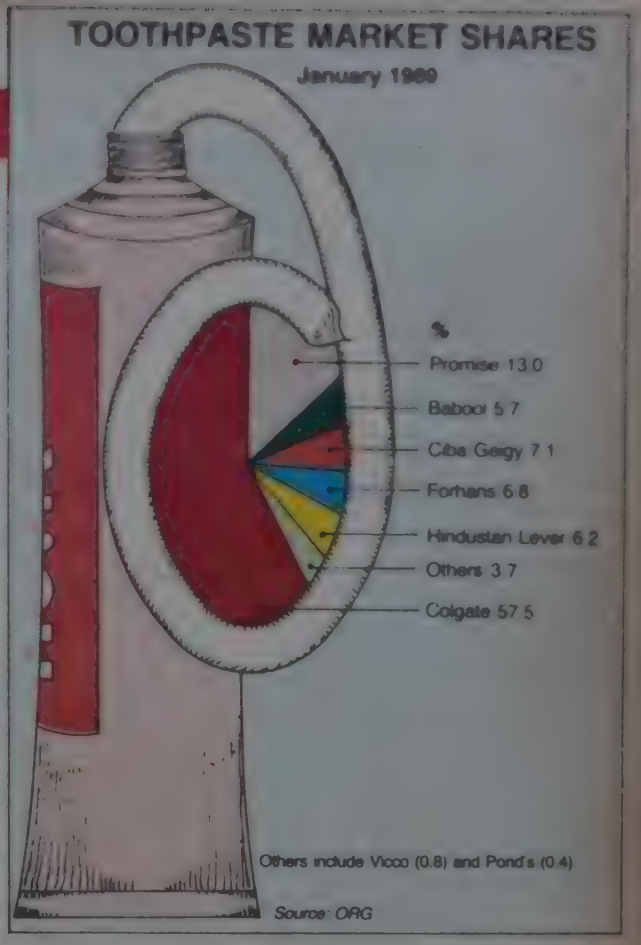
Aspi Balsara is the country's only toothpaste tycoon to seriously threaten Colgate's hegemony



PRODUCT-WISE CONTRIBUTION TO BALSARA SALES IN 1987-88



Source: Company records



content in Promise. It clicked. Now Babool is also riding piggyback on a herb — *babul*.

And there are more in the pipeline. "We are stressing indigenous herbal-based products," says Balsara. "There are few companies making genuine herbal products."

Accordingly, Shaligram has a lot up his sleeve. "We are analysing more than 200 herbs of Indian origin and seeing how they can be used," says he. "On the agenda are herbal shampoos, hair dyes, skin cream and hair oil."

But the mainstay, at least in the short term, will remain dental hygiene products. This is evident from the figures. In the year ended 30 June 1988, Promise toothpaste contributed a full 50% to BHPL's turnover. The toothpowder of the same name chipped in with 15% and the toothbrush another 8%.

Babool, despite the court-ordained restrictions, has also been adding its mite. Sales, which stood at Rs 63 lakhs in July 1988, the month of its launch, reached Rs 95.75 lakhs in December. Given the fact that the toothpaste is, as Balsara puts it, "now free to fly", a yearly target of Rs 20 crores does not seem a pipedream. That would mean another quantum jump for BHPL's turnover.

It is in the fitness of things that another toothpaste should do for BHPL what Promise had done a decade earlier. In the pre-Promise days, Balsara was a small outfit with a turnover of a few lakhs. No doubt it was pottering around quite successfully with its 'Odo' range—Odonil, Odopic, Odomos, etc. — but for all practical purposes it was a little league player. Promise, launched in 1978, changed all that.

It was, in many ways, a gamble. "We had a toothpaste in our laboratory for a long time," says Balsara. "But everyone advised us against going into the area; it has been a graveyard for so many companies." But BHPL and Promise were successful against the odds.

Of course, the company had a few things going for it. First was the strong and widespread distribution force. But more important was the Balsara reputation for quality.

MANUFACTURING TRAIL

It was quality-consciousness which set Aspi Balsara on the manufacturing trail in the first place. When he took charge of the family trading business in 1953, it was dealing in imported sanitaryware. Soon after, however, the government clamped down on imports. Balsara tried out local manufacturers but found the products not up to the mark. "We either had to look elsewhere or close shop," says Balsara.

Thus in 1960, Balsara & Co., as the concern was then called, started a manufacturing division. The first product was an air-purifier — Odonil. "It is a clear No.1," says Rajadhyax (quoted earlier). "It is the only brand in the organised sector."

Odopic cleaning powder was the next to follow and it too caught the market fancy. "We cannot compete in national markets as the 20% additional transport cost makes it exorbitant," says Rajadhyax. "But in the local markets where we operate we have a 50% to 60% share."

RAJADHYAX STEERS BALSARA'S MARKETING EFFORTS



Cashing in on the 'Odo' range was Odomos, a mosquito repellent cream. Odomos brings in about Rs 3 crores annually but it is, in some ways, in its decline phase. "It was doing beautifully till the coils came in," says Rajadhyax. But since then it has been a downhill ride: only in the north, where people have a habit of sleeping outdoors and coils are ineffective, does Odomos still sell substantially.

Balsara is now trying to cash in on the mosquito menace in another way: in July 1988, it launched its mosquito-repellent mats — Odomats. The entry has sparked off a wave of competitive advertising among other brands such as Good Knight and Casper (see *BW* 23 Nov.-6 Dec. 1988, p.11), but whether a me-too will be able to make much headway against well-entrenched brands is debatable.

But BHPL is nothing if not a trier, as its string of failures suggests. There was the Puritas water filter, the Expel drain cleaner, the Odonil telephone purifier, the Jet car shampoo and windscreen cleaner, the Leika liquid soap and the Odosan floor cleaner. Some have been weeded out, some exist in a sort of limbo with no promotional support and a few stray ones are still contributing their negligible mite. "When a sow has a lot of piglets, she can't take care of all of them equally," says Rajadhyax. "Some of them were beautiful products, though perhaps a bit before their time. It is better to be satisfied with a few winners."

Much of the surgery in the product

"EACH TUBE OF BABOOL I SELL INCREASES MY LOSS"

Aspi R. Balsara, the 53-year-old managing director of Balsara Hygiene Products Ltd., was thrust into the hot seat at a very young age. When he took charge of the family trading business at a tender 17, his father gave him two choices: he could either sell it and live off the spoils or he could beat a different track. He chose the latter and has since built up a Rs 50 crore empire. In this interview, Balsara talks about the triumphs and tribulations he has experienced. Excerpts:

■ On why he went into manufacturing.

Actually there was no choice. We were dealing mainly in sanitary fittings. When I joined, the government stopped imports. The quality of the local manufacturers was not up to the mark. So we either had to look elsewhere or close shop.

■ On why he opted for air fresheners (Odonil) and cleaning powder (Odopic).

We were importing those items and selling them here so we had some experience of the market. We had also set up a unit called Rocklite Fibreglass to make fibreglass bathtub fittings, kitchen sinks and all the items we were trading in. However, we did not have place in our Thane factory for both these activities and we had to close down Rocklite.

■ On the reasons for going into toothpaste.

We had a toothpaste in our laboratory for a long time. But everyone advised us against going into the area; it has been a graveyard for so many companies.

But Balsara had built up a reputation for quality. Twenty years after we discontinued sanitary fittings, we were still getting enquiries. To sell a consumer product, quality is important. We felt we had the image. Also we had a strong and widespread distribution force. For the first five-six years we lost a lot of money but after that...

■ On the competition with multinationals, particularly Colgate-Palmolive.

I don't think I should say much on that... I would have to ask our legal department to clear my statements.

However, I can tell you I have lost Rs 1 crore because of the case against Babool toothpaste. It is money a small Indian company cannot afford. These MNC strongarm tactics should be deplored.

■ On future product launches.

The future is for mass market products, for the masses created by communication, for the basic Indian consumer. It is not the man in the town we are targeting at. Besides, we are stressing indigenous herbal-based products. There are few companies making genuine herbal products. You can label something *shikakai* or *amla*, but does anybody know if it works or how?



■ On Balsara's stagnant turnover over the past few years.

We have been growing but we have weeded out some losing lines. We have knocked out products and streamlined our price list. Turnover has been affected because of this.

■ On financial problems.

No Indian manufacturer is happy with the funds situation. Bankers have to go by certain rules. They do not understand that in the first few years after launch you have 70% to 80% of your sales going into advertising.

Each tube of Babool I sell now increases my loss. There is a simple way to make more money — stop making Babool. It is a chicken or egg question.

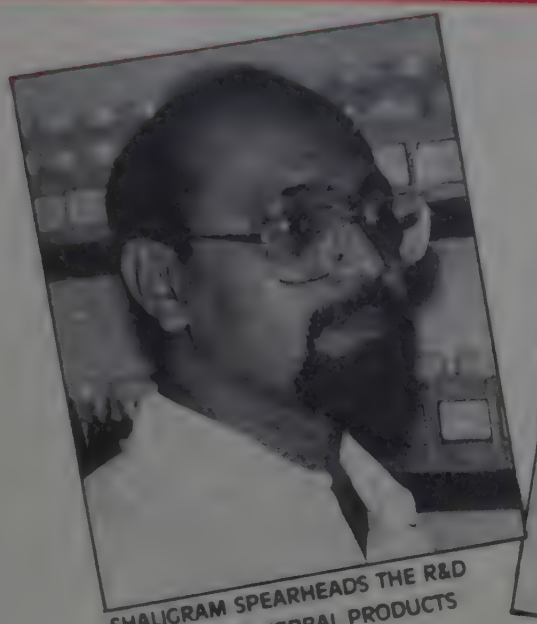
■ On the possibility of Balsara tapping the capital market.

Would it be a wise decision? You put your heart and blood into the company and some NRI comes and takes it over. This is something more than a company to me; it is my baby.

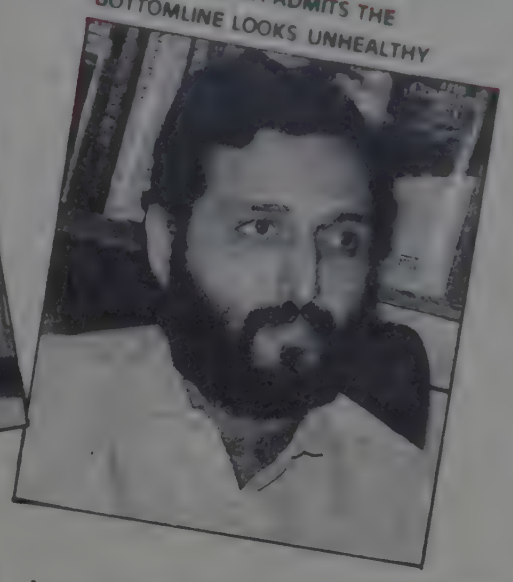
■ On the lessons of his own industrial experience.

Indian industrialists don't see the vast potential of our market. The MNCs like Pepsi and Coke are coming back but Indian companies are doing nothing. By right, it is our market. I am not an advocate of protectionism; I don't want a closed market. But Indians should tap it.

How many Indians have the vision and persistence needed? Yesterday the Gulf was a place where one got rich overnight. Today, people are doing *puja* over the green card (which entitles you to work in the US). But the real prospects, the goldmine, are here in the backward areas. But nobody seems to realise it.



SHALIGRAM SPEARHEADS THE R&D THRUST INTO HERBAL PRODUCTS



KARKHANAVALA ADMITS THE BOTTOMLINE LOOKS UNHEALTHY

lineup has been done in the past couple of years. This explains why turnover has not kept the galloping pace of the mid-eighties. "We have been growing but we have weeded out some losing lines," explains Balsara. "Turnover has been affected because of this."

The bottomline has not been so sprightly either. In 1987-88, profit after tax was a humble Rs 79 lakhs, down from the Rs 2.51 crores a year before. "It does not look very healthy," admits K.M. Karkhanavala, finance manager and company secretary.

FALLING PROFITS

Karkhanavala explains, however, that the decline in profitability is largely due to the fact that while input costs have been rising, the company has maintained its price line. But prices of most of the products have been revised from 1 April and there should be a corresponding beneficial spinoff as far as the bottomline goes.

The overall picture, though, is not likely to look much healthier in the short term. BHPL needs to spend money, and large dollops of it, in promoting Babool and all this is likely to take its toll on profits. Earlier too, when the company was going the whole hog to boost Promise in the hope of future returns, its bottomline had taken a similar battering.

"Each tube of Babool I sell now increases my loss," says Balsara. "There is a simple way to make more money — stop making Babool. It is a chicken or egg question."

But Balsara obviously believes in sacrificing today's nest eggs to count tomorrow's chickens. Babool has all the earmarks of a moneyspinner and if it takes a few initial sacrifices to give it a helping hand, he is ready to make them.

He is certainly in a position to do so: he does not have a bevy of shareholders breathing down his neck ready to raise Cain the moment profits dip. Though BHPL is a public limited company, it has less than 100 shareholders and more than 90% of the equity is controlled by Balsara and his associates.

And Balsara wants to keep it that way. This has had its attendant problems in the fact that BHPL finds it difficult to raise finance, but the associated risk in diluting control is something which Balsara would rather not take. "You put your heart and blood into the company and some NRI comes and takes it over," he says, defending his company's closely-held status.

But lack of finance is something which has inhibited BHPL's growth. During the big splurge on Promise, the company was helped out by a massive Rs 8 crore order from the USSR. And, while exports continue to be a thrust area (Promise, for instance, commands a market in 27 countries and, says Balsara, "a Korean company has even pinched the brandname"), it cannot be banked upon. "It is extremely erratic," says Balsara.

He is, however, more confident of long-term prospects. "Suddenly there are many markets opening up. There was a time when the Gulf, for instance, used to regard all Indian goods as third rate. Now that is fast changing."

BHPL has established a beach-head abroad. Currently it has quite a few products which are intended only for foreign markets. Leading the pack are its Prize and Ace flouride toothpastes, which picked up a reasonable market share when they were launched at home in 1982 and 1983 respectively. (They were later withdrawn from the domestic market following the controversy over the health hazards of flouride.) Other items mainly for exports are shampoos and ultramarine blue whiteners.

NATIONWIDE LAUNCH

But, at least for the present, exports will not pay for the local launches. This may explain why BHPL is making a virtue out of doing things differently from others. In its Babool launch it could not, of course, do away with advertising expenses, but it decided test marketing was eminently avoidable. "National TV is the most economical medium," says Swamy (quoted earlier). "We had to take the risk (of a simultaneous nationwide launch)."

He, however, says that the need for economy was not the only reason. "Whenever a product is launched, it is traditional to do test marketing. But this is required for a new company. Where toothpaste markets are concerned, we already have the experience."

There could, of course, be another reason. There have been murmurings from Nirma for quite some time that it is going to launch a low-price tooth-

COLGATE HAS NO GROUNDS FOR COMPLAINT, SAYS SWAMY



VITAL STATISTICS OF BALSARA HYGIENE PRODUCTS LTD.

(Rs lakhs)

	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88
Net sales	1055.27	1921.10	1657.09	1942.39	2669.09	3874.09	4028.73	4105.82
Profit before tax	73.45	216.39	(2.15)	171.92	284.23	375.78	458.61	261.41
Profit after tax	22.03	64.92	(22.15)	21.92	94.23	189.78	251.61	79.91
Equity & Reserves	28.49	92.12	89.28	110.93	205.22	391.35	631.93	695.95
Ad & promotion costs	131.84	181.45	197.45	157.69	157.14	215.10	271.87	367.16
R & D expenses	*	*	*	0.65	0.72	3.16	2.49	1.62
Number of employees	400	415	440	470	505	560	610	650

*Not available
Figures in brackets indicate loss
Year ended 30 June

Source: Company records

paste. The Babool launch may well have been a pre-emptive attack on this segment. That such a segment exists has been proved by Babool's success. But recognising its existence took some doing. "We talk of brand leaders, premium price segments and popular price segments," says Swamy. "But we fail to see that there could be a segment beyond the brands in the market. Babool is not only competing against toothpaste, it will convert a lot of toothpowder users also."

The pricing makes this very possible. Babool costs Rs 10 for a 200 gm tube which compares favourably with standard toothpowder brands. By contrast, Colgate Dental Cream costs Rs 15.50, Forhans Rs 14.75, Promise Rs 14.10 and Close-Up upwards of Rs 20. Babool then could well be set to do a Nirma act in a different arena.

The payoff may be some distance away, but Balsara and BHPL are gearing up for rapid growth. As part of its drive for rationalising operations, production is being farmed off to associate companies in the group. (Of course, this also helps to toe the government line that toothpaste manufacture be reserved for the small sector.)

For starters, the Rs 7 crore turnover Besta Cosmetics Ltd., which has been making part of the Promise requirements till now, will handle the entire manufacture of Babool. Besides, Yazad Extrusions has been making the aluminium collapsible tubes for the toothpaste and another company with a similar mandate — Balsara Extrusions — is waiting to start operations when demand picks up. As an added prong is Goolnaz Advertising, which currently takes care of the Balsara hoardings. Though no major role is presently envisaged for the company, it could well become more active when the tempo is stepped up. This apart, there are about 10 other group companies all slated to play a bigger role, come their hour.

But if BHPL is in a state of transition, there are some things which are not changing. Very high on the list of immutables is the attitude towards trade. "A good part of BHPL's success can be attributed to the fact that it is trade friendly," says a product manager with a multinational company. While the MNC approach has been to force traders to accept slow-moving items as a quid pro quo for being given supplies of fast-moving brands, BHPL has largely avoided using such a bludgeon.

"We do not consider the dealer as an opportunist," says Rajadhyax. "We try to propagate the feeling that all of us are together, that we belong to one family."

FAMILY FEELING

This attitude is also reflected within the organisation. "There have been no strikes in our history," says Rajadhyax.

"We are a close family organisation," says joint managing director H.A. Balsara, Aspi's wife. "If we have a weakness, it could be that we are too affectionate. We must get more professional in our working."

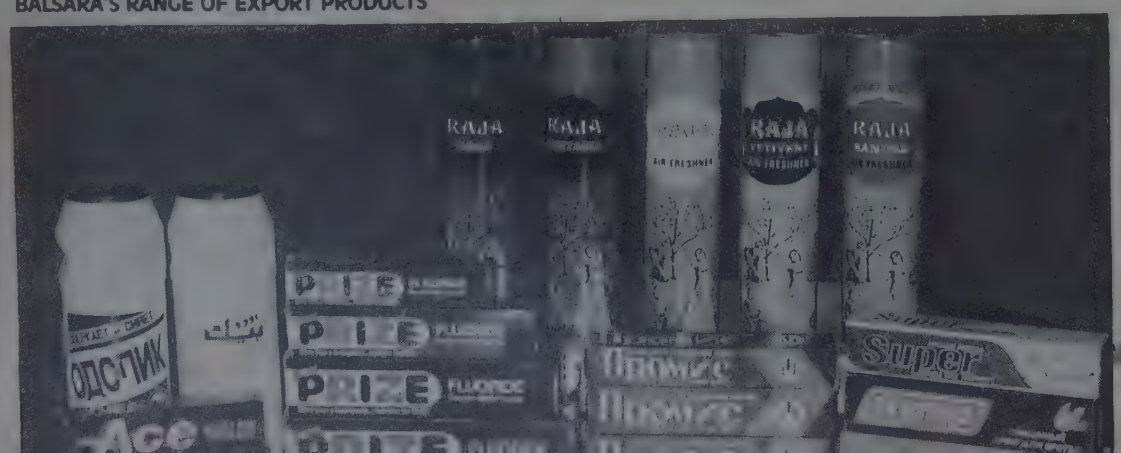
But others would rather not get more professional, particularly the MNC way. "MNCs go by rules and regulations," says Rajadhyax. "We do too; you cannot survive without them. But we do not sacrifice human emotions. People matter to us." Adds Balsara: "Our people are our strength."

Another key strength, according to Rajadhyax, is the company's reputation for having launched a series of innovative products and made a success of them. "Everytime we launch something our competitors say, 'This rascal has to be stopped here'."

But the 'rascal' has got away with it time and again. Promise was both a revelation and a revolution for the toothpaste market. Babool looks all set to follow in its footsteps. Unless something unexpected occurs, the future seems clear: Balsara Hygiene Products has today a new promise, and in more senses than one.

■ *Parthasarathi Swami*

BALSARA'S RANGE OF EXPORT PRODUCTS



CCL'S MINING PROJECTS

This article, the second in the series on new projects in the coal mining sector, will discuss the new projects being planned and implemented by another Coal India subsidiary — Central Coalfields Ltd. The earlier article discussed the new projects of Bharat Coking Coal Ltd.

Central Coalfields Ltd. (CCL) has its headquarters at Ranchi in Bihar and is responsible for coal mining operations in the Bokaro, Ramgarh, Giridih, North Karanpura and South Karanpura coalfield areas, all located in Bihar. The new coal mining projects presently being planned and implemented by CCL are:

The Amlo open cast mining project is being set up in Giridih district of Bihar at a total cost of Rs 56 crores. The mine, also known as Dhori West, will have a capacity of 1.5 million tonnes per annum (tpa). The project is scheduled for completion during 1990, but may undergo certain slippages due to problems being experienced in land acquisition.

The 1.5 million tpa Chitarpur open cast project is being taken up for implementation. The project is estimated to cost Rs 70 crores. Work on the project may accelerate during the eighth plan period.

CCL has taken up the implementation of the 1 million tpa Karkatta open cast project near Ranchi. Work on the project, estimated to cost Rs 40 crores, is now progressing and is likely to be completed during 1989.

The 2.6 million tpa Kedla washery project in Hazaribagh district of Bihar is now under construction. The project is estimated to cost Rs 73.54 crores.

CCL is also implementing the 2.25 million tpa New Kalyani open cast project in Giridih district of Bihar. The project is expected to cost Rs 43.5 crores and is likely to be completed during 1990.

The 3 million tpa prestigious Rajarappa open cast project in Hazaribagh district is now under construction at a cost of Rs 141 crores. The project has been beset with delays and therefore may be completed only during 1990.

The Sirka open cast project has been undertaken in two stages. The scheme which is designed for a total capacity of 1 million tpa is almost complete and maximum benefits from the project are expected to accrue from the current year.

CCL has also taken on hand the implementation of the Ashok open cast project. The entire scheme is expected to cost Rs 250 crores and may be completed during the eighth plan period. At present, the project is reportedly in the preliminary stage of implementation.

The 10 million tpa Magadh open cast project is to be taken for implementation during the seventh plan. However, work on the project will be intensified only during the eighth plan period. The project is estimated to cost Rs 370 crores.

CCL is drawing up plans to take up work on the 6 million tpa Pipawar open cast project with an outlay of Rs 450 crores. The project is proposed to be developed with technical assistance from Australia. An Australian company, White Industries Ltd., has prepared the feasibility report for the project. The inter-ministerial group (IMG) of the Union government has approved the scheme.

The company has also proposed to undertake an expansion programme at its existing Urimiri open cast mine. An outlay of Rs 80 crores has been envisaged. The project is currently in the preliminary stage of implementation but may accelerate during the eighth plan period.

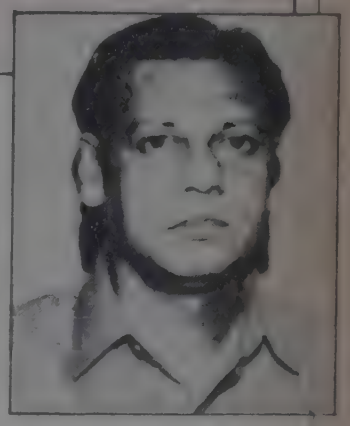
CCL has drawn up plans to undertake a reorganisation scheme at its existing Jharkhand open cast mine. An outlay of Rs 50 crores is proposed.

The coal company has also proposed to undertake an expansion programme at its existing K.D. Hesalong open cast mine. The scheme is expected to cost around Rs 150 crores. A project report submitted by the company is reported to be under scrutiny by the department of coal.

The 0.8 million tpa Saunda 'D' open cast project is another project CCL proposes to begin implementing during the seventh plan.

CCL has also drawn up plans to implement the 1.5 million tpa North Dhadu open cast project in Bihar. The scheme is expected to cost Rs 75 crores. The project is likely to gain momentum during the eighth plan period.

Central Coalfields Ltd., a Coal India subsidiary, has taken up several mining projects in Bihar



Apart from the major projects discussed above, CCL is also in the process of implementing and planning a number of relatively smaller schemes. The details of these smaller projects are:

- The 600,000 tpa Gidi Colliery underground project is in the final stages of implementation. The project when completed, is likely to cost around Rs 9 crores.
- The 300,000 tpa New Swang open cast project is presently under implementation. The project is estimated to cost in the region of Rs 10 crores.
- CCL is setting up the 400,000 tpa Ripradih open cast project at a cost of Rs 9.84 crores. The project is likely to be completed during the seventh plan period itself.
- The 300,000 tpa Sangam open cast project is in progress. An outlay of Rs 9.87 crores has been provided for.
- The 350,000 tpa Sayal 'D' open cast project is now in progress. The project is expected to cost around Rs 10 crores.

CCL has also proposed to install a plant for producing specialised smokeless fuel (SSL) also known as domestic coke. A capacity of 510 tonnes per day is envisaged. The Central Mine Planning & Design Institute Ltd. (CMPDIL) has prepared the project report for the scheme. At present, the domestic coke project is in the conception stage but may take shape during the early nineties.

■ *P.V. Satyanarayana*

The author is a Bombay-based management consultant



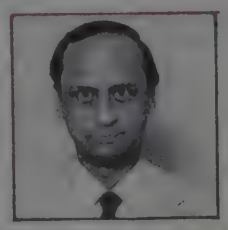
SUBODH MITTAL has been promoted to general manager (personnel), Indian Oil Corporation Ltd.



Y.P. MADAN has joined NIIT as technical advisor at its corporate office. Previously, he was group general manager at Bhel.



P. CHANDRASEKAR has taken over as director (financial services), Echbee Management Services Pvt. Ltd.



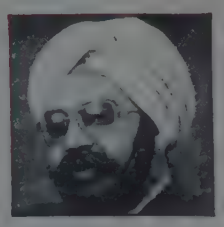
DEBABRATA HALDAR has joined Hilton Rubbers Ltd. as chief executive.



R.M. SODHI has taken over as general manager (aviation) of Indian Oil Corporation Ltd., Bombay.



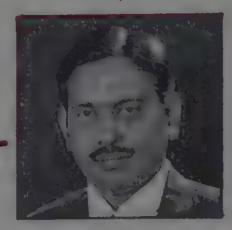
B.C. PATI has been elevated to the post of vice-president (operations) of IDL Chemicals Ltd. Earlier, he was the company's general manager.



BAGGU OCHANEY has joined Clarion Advertising as vice-president, Bombay. Prior to this he was managing director of Enterprise.



LUKE J. SALDANHA has taken over as manager and chief executive officer of The British Bank of the Middle East in India.



K. SHANKAR has taken over as resident director of Parle Exports (Pvt) Ltd.



RAUNAQ SINGH has become president-elect of the Federation of Indian Chambers of Commerce & Industry (Ficci). He will take over after the AGM of Ficci in April.



T.R. DOONGAJI has been appointed managing director of Tata Metals & Strips Ltd.



RANA KAPOOR has taken over as vice-president and head (corporate banking) and senior government relations officer, Bank of America, New Delhi.

APPOINTMENTS

Shilputsi

PEPSI FOODS LIMITED

needs a

VICE PRESIDENT, AGRO-RESEARCH

PUNJAB

Pepsico, Voltas and Punjab Agro Industries Corporation have formed a Joint Venture company designed to take Indian agriculture, food processing, export, snack food and beverage industries to new levels of technology and executional excellence.

The job : The V.P., Agro Research will be responsible for leading, directing and inspiring a group of talented scientists to play a key role in transferring agricultural technology and improved agricultural practices to the farmers. In his role as the leader and head of the Agricultural Research Centre, he will liaise with the Punjab Agro Industries Corporation and the Research Wing of Frito-Lay, U.S. He will report to the Managing Director, Snack Foods and Agro-Research.

Qualifications : Ph.D. in Agricultural Sciences with a strong commercial outlook. He should have the capacity to provide leadership to both the scientific and farming communities. He should have a successful track record and knowledge of agricultural extension work. 12 to 15 years of experience in agricultural development is essential.

Remuneration : The remuneration package is designed to attract the best talent in the country.

Please write in strict confidence to:

Mr. Tarun Sheth
C/o. **SHILPUTSI CONSULTANTS**
Post Box No. 9386
Bombay 400 026.

BEAM SERVICES

BEAM
INTERNATIONAL SELECTION DIVISION

IBM PROFESSIONALS FOR
DUBAI

Our client, a leading Supplier of Computer Services throughout the Middle East, is seeking experienced IBM Professionals for the following posts:

IBM HARDWARE ENGINEERS

—With a minimum of 4 years' direct experience on 4341/4381 CPUs with various peripherals such as 3705 / 3880 / 3350 / 3375 etc. Experience with Front-Ends such as Raytheen 1018 / 1025 would be an added advantage.

IBM SYSTEM SOFTWARE SPECIALISTS

—With a minimum of 4 years' experience on 43XX series using NCP / VTAM, NPSI, X.25 DOS / VSE, VM / SP etc. Experience should cover areas of communications and interfacing, system tuning, performance enhancements, device drivers, O/S maintenance, utility developments etc.

Permanent career positions with attractive tax free salary, furnished accommodation, transport, airfare and annual gratuity provided.

Mail detailed bio-data with recent passport size photograph with contact telephone number within 7 days quoting post and ref. no. VP-175 on the application and envelope to: BEAM Services, 1, Colaba Chambers, 117, Wodehouse Road, Colaba, Bombay-400 005.

Johnson & Johnson

require

General Works Manager

BOMBAY

Salary around Rs. 1,00,000/- p.a.
+ Co. Car + Housing

We need a General Works Manager who would assume full responsibilities for manufacturing operations at our Andheri Plant. The position reports to the Vice President of the Division, which operates as an autonomous profit centre in our multidivision Organisation. We employ at this plant some of the most modern equipments and sophisticated manufacturing technologies to produce a wide range of products marketed by our Industrial Products Division.

We are looking for a cheer leader with vision, an innovative mind and an urge to excel. He will be required to meet the challenges of a fast growing custom built product business. This is a key position and will interest only those who are already successful in their professional career but wish to advance by making a change only because of inadequate growth opportunities in their current Organisation.

The incumbent will head the production, engineering, materials management and industrial engineering functions. Besides his primary responsibilities for providing excellent customer service, improvement in productivity and maintaining high quality standards, he will be expected to play a leading role in technological upgradation, cost reduction programmes, new product development and inventory management. He will also handle public relations in the community and will be closely involved in handling Industrial Relations.

The ideal candidate would be a B.Tech. (Chem./Mech.) with Management Degree from a premier institute. He should have 10 to 15 years relevant experience in plant operations.

If you feel that you are the right person for the job, please send your bio-data and a brief justification regarding suitability within 15 days to:

The Vice President – Personnel & Administration
Johnson & Johnson Limited
30, Forjett Street, Bombay 400 036.

APPOINTMENTS

INDIAN METALS & FERRO ALLOYS LTD
INDIAN CHARGE CHROME LTD

We are a large private sector professionally managed Company with Corporate Headquarters located at Bhubaneswar. Our Group which has an investment of over Rs. 300 crores has been rated as the second fastest growing industrial group among the top 50 in the country.

In order to meet our growing needs, we require thoroughbred professionals of calibre par excellence.

SHIFT INCHARGE (POWER PLANT)—Choudwar.

Overall responsibility in shifts for the operation of 108 MW Thermal Power Plant having computerised process control and stocker fired boilers.

Candidates must be Mechanical/ Electrical Engineering graduates with minimum 10 years of similar experience.

MANAGER (INSTRUMENTATION)— Choudwar.

Responsibility for the operation and maintenance of fully automatic and computerised processes.

Candidates must be graduates in Engineering with Instrumentation and process control back-ground/Electronics with 6-10 years of similar experience.

MANAGER/ASSISTANT MANAGER (MECHANICAL)—Choudwar/Theruball.

Co-ordination of mechanical maintenance of Charge Chrome furnace, material handling systems, crusher, grinder, briquetting plant etc.

Candidates must be graduates in Mechanical Engineering with 5-10 years of similar experience.

MANAGER/ASSISTANT MANAGER (PRODUCTION)—Choudwar/Theruball.

Candidates with graduation in Metallurgical Engineering and minimum 5-8 years experience are required for the planning and co-ordination of the production of different Ferro Alloys.

MANAGER (STORES)—Choudwar/Theruball.

Candidates will be required to take responsibility for the overall functioning of factory stores. Knowledge of modern methods of inventory control including use of computers is essential. Around 10-15 years of relevant experience.

Must be graduates with specialisation in Materials Management function.

MEDICAL OFFICER—Theruball.

Candidates must possess a MBBS degree with minimum 2-3 years of experience. Knowledge of Oriya is essential. Job requires attending to medical and health needs of employees and their family member.

ASSISTANT MANAGER (AUTOMOBILE)—Choudwar/Theruball.

Maintenance of automobiles and heavy equipments including dumpers, pay-loaders, buldozers, road rollers and related equipments.

Candidates must possess a diploma in Mechanical/Automobile Engineering with atleast 10 years of similar experience.

ASSISTANT MANAGER (ELECTRICAL)—Choudwar/Theruball.

Maintenance of transformers, switch gears, motors, control equipments etc., planning of spare parts, preparation and implementation of preventive/shut-down maintenance schedules.

Candidates must be graduates in Electrical Engineering with minimum 5 years of relevant experience and knowledge/working experience with process computers.

BTG ENGINEER—Choudwar.

Working in shifts in the centrally computerised control room and handling the operation and control of boilers, turbine generators and its auxiliaries.

Candidates must be gradutes in Mechanical/Electrical Engineering with atleast 5 years of experience in similar capacity.

FOREMAN/ASSISTANT FOREMAN (MECHANICAL MAINTENANCE)—Choudwar/Theruball.

Candidates must have diploma in Mechanical Engineering with 3-6 years of experience in breakdown and preventive maintenance job, preferably in a Ferro Alloy plant.

FOREMAN/ASSISTANT FOREMAN (ELECTRICAL)—Choudwar/Theruball.

Candidates must have a diploma in Electrical Engineering with 3-6 years of experience in the repair and maintenance of LT/HT/EHT lines, maintenance and monitoring of domestic power supply systems, pumping systems etc.

ASSISTANT FOREMAN (BRIQUETTING PLANT)—Choudwar.

Candidates must have a diploma in Mechanical Engineering and 2-3 years of experience in a briquetting plant.

TURBINE SUPERVISOR—Choudwar.

Working in shifts operating two turbines of 54 MW capacity each connected accessories such as lube oil, cooling and condensation systems. Experience in operation of extraction condensing turbine will be preferred.

Candidates must have passed Matriculation and ITI training in concerned trade with 7-10 years of similar experience.

If you meet the requirements and are interested in a challenging career opportunity, please write to us within 15 days at the below mentioned address. The above jobs carry with it an attractive remuneration package including liberal benefits.

Those who have responded to our earlier advertisement need not apply. Copies of certificates, testimonials etc. need not be enclosed. The application and envelope must be superscribed with the position applied for.

ASSISTANT GENERAL MANAGER (HRD), **INDIAN METALS & FERRO ALLOYS LTD.,**
BHUBANESWAR—751 010 (ORISSA).

Shilpatsi

PEPSI FOODS LIMITED

need a

PROJECT MANAGER

PUNJAB

Pepsi, Voltas and Punjab Agro Industries Corporation Ltd., have formed a joint venture company designed to take India's agriculture, food processing, export, snack food and beverage industries to the leading edge of world class technology. The joint venture is setting up a state-of-the-art fruit processing plant primarily for export.

The job: The Project Manager will be responsible for erecting and commissioning the fruit processing plant. He will appoint consultants and monitor their work; finalise building plans in co-ordination with the architect and supervise civil work; negotiate and finalise purchase of both Indian and imported equipment and commission the plant as scheduled.

On completion of the project, the Project Manager will be appointed as Plant Manager. In addition to his normal responsibilities, the Plant Manager will also have to liaise with cultivators.

Qualifications: The ideal candidate will be a Food Technologist with about 10 years experience in the Foods Industry. He must have hands-on experience of setting up at least one major project. The candidate must be mature and have the ability to deal with third parties effectively.

Age: 35 – 40 years.

Remuneration: The remuneration package is very attractive and is designed to attract the best talent in the country.

Please write in strict confidence to:

Mr. Tarun Sheth
C/o. **SHILPUTSI CONSULTANTS**
P.O. Box 9386
Bombay 400 026

APPOINTMENTS

NIPPON DENRO ISPAT LIMITED

(ISPAT GROUP)

We are the leading manufacturer of thin galvanised sheets in India with an enviable track record and have commissioned the Rs. 125 crore CRM complex in technical collaboration with HITACHI and NIPPON DENRO MANUFACTURING CO. LTD. of Japan in October 1988. The plant is first of its kind in the country. We have also ventured into setting up a project for the manufacture of PVC and Color Coated sheets. The technology used in these plants is state-of-the-art and is the most modern and sophisticated. Ours is a fast growing company, which is diversifying its activities into various fields in India and abroad.

We are on the look out for outstanding professionals in various areas as follows for our Cold Rolled Mill Complex in India and abroad :

Position	Qualification	Experience Years
SR. ENGINEERS/ SR. OFFICERS	Degree/Diploma in Electrical/Mechanical / Metallurgical or B.Sc. Engg.	7-11
ENGINEERS/ OFFICERS	Degree/Diploma in Electrical/Mechanical / Metallurgical or B.Sc. Engg.	3-7
SR. OPERATORS/ TECHNICIANS	B.Sc./Diploma/NCTVT/ITI	7-10

COIL STORAGE YARD-OFFICERS (CODE : CSY)

Experience in stock taking and storage of raw material in steel processing line. Should be conversant with identification procedure/stock keeping, documentation and material handling.

CONTINUOUS PICKLING LINE – SR. OFFICERS/OFFICERS (CODE : CPL)

Experience in operation of continuous pickling line like strip welding, threading, acid dozing, assessment of quality of pickling, etc. Should be able to independently control the operating parameters.

COLD ROLLING MILL - SR. OFFICERS (CODE : CRM-1)/OFFICERS (CODE : CRM-2)

Operating experience in Reversing/Tandem Cold Rolling Mill of high capacity. Mill operation will be through manual cascade system or by feeding data into process computer for which training will be imparted. Candidates with experience in Sendzimir mill with thorough knowledge about speed and tension control will also be considered.

APPOINTMENTS

ELECTROLYTIC CLEANING LINE – SR. OFFICERS/OFFICERS (CODE : ECL)
Experience in operation of continuous steel processing line preferably electrolytic degreasing line. Should be able to independently control the operating parameters.

BATCH ANNEALING FURNACE – SR. OFFICERS/OFFICERS (CODE : BAF)
Experience in operation of batch annealing unit like furnace operation, control of annealing cycle, protective atmosphere control, coil stacking practice, Nitrogen generation, LPG burner operation, etc.

SLITTING LINE/DESPATCH – SR. OFFICERS/OFFICERS (CODE : SLD)
Experience in operation of coil slitting line. Should have adequate experience in knife setting and experience in coil packing and despatch.

MECHANICAL MAINTENANCE – SR. ENGINEERS/ENGINEERS (CODE : MM)
Experience in high pressure hydraulic systems in Rolling Mill installations alongwith general maintenance experience in a steel processing industry, especially in Rolling Mills.

ELECTRICAL MAINTENANCE
SR. ENGINEERS (CODE : EM-1)
Experience in maintenance of thyristor convertor upto 3.5 MW, DC motors upto 3.5 MW, PLCs and exposure to micro-processor controls, preferably in a Cold Rolling Mill.

SR. ENGINEERS (CODE : EM-2)
Experience in micro-processor controlled equipments and instrumentation. Should be able to handle mini computers. Exposure to programming is desirable.

ENGINEERS (CODE : EM-3)
Experience in 220 KV sub-station and should be capable of handling power switch gears, crane maintenance and maintenance of AC motors upto 300 KW. should possess 220 KV Licence.

SR. OPERATORS(CODE : OP)
Candidates with relevant operating experience in different units as above. Candidates with Diploma in Production Engineering will be preferred.

Qualification and age are relaxable in case of candidates with long relevant experience.
A highly attractive compensation package will be offered to the right candidate.
Please post your bio-data within 10 days giving full details of age, qualifications, experience, salary drawn and expected, quoting relevant codes to :

The Asst. General Manager (P & A)
Nippon Denro Ispat Limited
A-10/1, MIDC Industrial Area,
KALMESHWAR-441 501
Dist. Nagpur (M.S.)

Those who have already responded to our earlier advertisement need not apply.

DATAMATICS CONSULTANTS LTD.

REQUIRES

PROJECT MANAGERS

COMPUTER SOFTWARE

BOMBAY **Rs. 60K—Rs. 100K p.a.**

Datamatics Consultants Ltd. today enjoys unique position amongst Indian Computer Services Companies. Its current annual growth rate is **in excess of 100%—making the company the fastest growing among major computer consultancy companies in the country.** A dedicated satellite data link to the USA is near completion. Keeping up this pace, Datamatics can see itself positioned among the top 10 computer software companies world-wide within the next decade.

We now have new opportunities for senior software professionals who would like to enhance their career in this high-tech, fast paced, professionally managed company. These opportunities are in the areas of Software Conversion, Application Development, System Software, Quality Assurance, Data Communications and Local Area Network (LAN) based systems.

We are looking for First Class Engineering/Commerce/Science graduates from reputed educational institutions with a minimum of five years of relevant experience. They must be good in oral and written communications, natural at leading a team of software professionals, and should be willing to travel abroad on assignments of limited duration.

We offer attractive salaries and perquisites which include HRA, LTA, Medical, P.F., etc. If you feel that you meet the above requirements, do write to us. Applications quoting Ref. 'DC-033' may be forwarded to the address given below. Alternatively, **working Fridays and Saturdays are OPEN HOUSE when you could meet us in person,** for a test and interview, by prior appointment over the telephone.

CONTACT : Adviser, Personnel & Administration

Datamatics Consultants Ltd.,
Unit 39, SDF I I, Seepz, Andheri(E), Bombay 400096
Phone: 6324236/37

Diason

APPOINTMENTS

THE NATIONAL INSULATED CABLE CO. OF INDIA LTD.

The NICCO family of Companies need dynamic personnel for their associate companies, based in Calcutta.

With a turnover of Rs. 150 crores, the NICCO family of Companies is poised for growth into a Rs. 500 crores conglomerate within the next 5 years. The diverse areas of operations include Cables, Steel Wires and Ropes, Televisions, Automotive Batteries, Printed Circuit Boards, Amusement Parks, Engineering Services, Turnkey Engineering Projects, Financial Services, Leasing and Merchant Banking.

SECRETARY & FINANCE MANAGERS

You should be a qualified Company Secretary and a CA or MBA (Finance) with about 15 years experience in similar position with large manufacturing company and should have exposure to all facets of secretarial, accounting and finance functions.

You will be responsible for all secretarial and accounting functions including financial planning and management reporting and shall report to the Chief Executive of the Company. You should be willing to work in any of the group companies.

Age around 40 years.

MARKETING EXECUTIVES

For Lease Finance Companies

You should be a graduate with 3 to 4 years experience in a leasing company or bank. An MBA or CA will be given preference.

Age around 30 years.

We offer a challenging career in one of the group Financial Services Companies dealing in Leasing, Merchant Banking or Foreign Exchange Dealings. The professional atmosphere stimulates growth and the challenge will draw the best of which you are capable.

Persons interested in a career with one of the fastest growing conglomerates in Eastern India, where salary is commensurate with qualifications and experience and is not a limiting factor for the right candidate, may apply in confidence within 15 days to:

SR. VICE PRESIDENT (PERSONNEL & ADMN.)
THE NATIONAL INSULATED CABLE CO. OF INDIA LTD.
NICCO HOUSE
2, HARE STREET, CALCUTTA-700001

APPOINTMENTS

NIPPON DENRO ISPAT LIMITED
(ISPAT GROUP)

We are the leading manufacturer of thin galvanised sheets in India with an enviable track record and have commissioned the Rs 125 crore CRM complex in technical collaboration with HITACHI and NIPPON DENRO MANUFACTURING CO. LTD. of Japan in October 1988. The plant is first of its kind in the country. We have also ventured into setting up a project for the manufacture of PVC and Color Coated sheets. The technology used in these plants is state-of-the-art and is the most modern and sophisticated. Ours is a fast growing company, which is diversifying its activities into various fields in India and Abroad.

We are on the look out for outstanding professionals in various areas as follows for our Cold Rolled Mill Complex in India and Abroad :

Position	Qualification	Experience Years	
GENERAL MANAGER (Marketing) Code : GMM	BE/B.Sc. with MBA	15-20	Candidate must be graduate (Met/Engg/Science) with Post Graduate in Marketing Management. The group is looking for dynamic professionals having strong practical experience in marketing steel products and having sharp conceptual ability in marketing strategy formulation, market planning, market segmentation and market development with high winning instinct in achieving sales targets. Candidate having hard core experience as Dy General/General Managers (Marketing) in related field and looking for challenging assignment, will fit into the role.
GENERAL MANAGER (Projects) Code : GMP	BE (Met/Mech)	15-20	Candidate must be a Metallurgical/Mechanical Engineer who has executed steel related projects in reputed organisation. Only persons who are thoroughly exposed to new concepts and techniques of project planning and control and are working as a Dy/Asst General Manager (Projects) in steel related industry are likely to fit into the role.

APPOINTMENTS

Position	Qualification	Experience Years	
ASST GENERAL MANAGER (Mechanical) Code : AGMM	BE (Mech)	10-15	Candidate must be Mechanical Engineer with thorough orientation to modern management techniques. Candidate will have total responsibility for successfully managing a very large Cold Rolling Steel mill employees. Job involves very strong technical skills application for immediate repairs of any mechanical break-downs.
ASST CORPORATE PLANNING MANAGER Code : ACPM	BE/MBA	5-10	Candidate must be MBA preferably with a Engineering degree. Should have experience of carrying out long term planning and should be familiar with the process of environmental scanning, internal appraisal, goal setting, etc. Should have strong aptitude to play the role of charge agents.
ASST MANAGER (Taxation) Code : AMT	CA	4-5	Candidate must be CA/Cost Accountant or MBA with specialisation in taxation. He should have thorough knowledge in taxation, tax planning, forecasting, controlling. Only outstanding CA/Cost Accountant or MBA (Taxation) from IIMS or any reputed universities may apply.
ASST MANAGER (Excise) Code : AME	CA/ACAS	4-5	Candidate must be CA or Cost Accountant who has exposure to excise formalities and independently handled excise related matters. He should have minimum experience of 4-5 years in steel industry.
COMPUTER PROFESSIONALS At Different Levels Code : COMPT	BE, M. Tech in Comp., Science, M. Tech. in IEOR MCA	2-10	Persons who are thoroughly exposed to modern concepts and techniques and having experience of about 2 to 10 years may apply for these positions. Knowledge of UNIX operating system and 'C' is desirable.
MARKETING PROFESSIONALS At Different Levels Code : MP	Graduate MBA DBM	3-10	Candidate must be first class graduate with MBA/DBM having practical experience in marketing steel steel related products.

Qualification and age are relaxable in case of candidates with long relevant experience. A highly attractive compensation package will be offered to the right candidate. Please post your bio-data within 10 days giving full details of age, qualification, experience, salary drawn and expected, quoting relevant codes to :

The Asst General Manager (P & A), **Nippon Denro Ispat Limited,** A-10 1, MIDC Industrial Area, KALMESHWAR-441 501, Dist. Nagpur (M.S.)

APPOINTMENTS

ABC's major specialisations include Corporate Consultancy

Socio Economic Studies • Computer Feasibility • SWOT Analysis • Systems & Procedure • Business Negotiations • Organised Cost Reduction • Technology Transfer • Project Reports • Operations Research • Industrial Engineering

We have been retained by a highly profitable **Industrial Group** to select the following professionals for their Engineering Division **near CALCUTTA.** The present sales turnover is over Rs 200 Crores.

2 CHARTERED ACCOUNTANTS

For Financial Accounting, Costing, MIS, etc. Should be qualified CAs with atleast 4/5 years of relevant experience. Age Group 28-35. Code CA/CAL/2586.

ASSISTANT PURCHASE MANAGER

For Materials Planning, Purchasing, Sub-contracting, Vendor Development, etc. Should preferably be a Mechanical Engineer with 8/10 years of relevant experience. Must be a skilled Negotiator with commercial acumen and good planning ability. Age Group 30-40. Code APM/CAL/2587.

3 STORES OFFICERS

For Stores activities including Receipts, Issues, Despatches, etc. Should preferably be a Graduate with 5/10 years of relevant experience. Age Group 25-38. Code SO/CAL/2588.

For these positions, working experience in **Indian Business Houses practising Parta System** and knowledge of written & spoken **Hindi and English** would be essential. Total remuneration package will be handsome & negotiable. Please apply in strict confidence within 10 days to **T Sengupta, Manager** and mark the envelope & enclosures with respective job title & code.

(Personnel Selection Division)

ABC CONSULTANTS PRIVATE LIMITED

6A, Middleton Street, Calcutta 700 071; Phones 292431/3078

Data Processing • Computer Software Packages • Materials Management

APPOINTMENTS

A-R-C-O
Requires

BRANCH MANAGERS

The Company

ARCO Limited, a professionally managed Company with a nation-wide marketing network are engaged in the manufacture and marketing of Air conditioners, Watercoolers, Heat Exchangers, Industrial Blowers/Fans and Hydraulics. The products enjoy an excellent reputation in the markets due the Company's strong committment to product quality and excellence in service.

The Job

Responsible for evolving/establishing a total product management activity including market identification, drawing up strategies, application selling, sales promotion, training of sales force etc. and achieving the targeted results on a set time-frame.

The Candidate

An MBA of around 35 years from a premier managerial institute, preferably with Mechanical Engineering qualification having 7-10 years' experience out of which at least 3 years should be in a similar position.

The Reward

Attractive salary and perks for the right candidate, including accommodation and company car with Driver. Excellent prospect for career growth within a short time-frame.

PLEASE APPLY IN STRICT CONFIDENCE WITHIN TEN DAYS, SUPERSCRIBING THE ENVELOPE WITH THE POSITION TO :

The President

The last word on Value

AMERICAN REFRIGERATOR COMPANY LIMITED

13C, Russel Street
Calcutta : 700 071

A PUBLIC LIMITED BULK DRUGS AND PHARMACEUTICALS COMPANY WISHES TO APPOINT EXECUTIVE DIRECTOR. EMOLUMENTS UPTO RS. 2 LACS PER ANNUM PLUS PROFIT SHARING SCHEME. WELL QUALIFIED AND EXPERIENCED PERSON MAY CORRESPOND IN FULL CONFIDENTALITY TO BOX NO. 720, BUSINESSWORLD, 6, PRAFULLA SARKAR STREET, CALCUTTA-700 001.

BEAM SERVICES

BEAM
INTERNATIONAL SELECTION DIVISION

UAE

We require for a dynamic and professionally managed Marketing Organisation dealing in comsumer electronics, home appliances, computer systems, telecommunication systems, cameras etc.

PERSONNEL MANAGER:

Incumbent should be around 35 years with post graduate qualifications in Personnel Management from a recognised university, having around 10-15 years' experience in the personnel function areas like manpower planning, recruitment, training and development, development of appraisal systems, salary administration as well as setting up HRD systems.

MARKETING MANAGER:

Candidates should possess post graduate qualifications in Marketing management from a recognised institute and be in the age group of 35-40 years'with minimum 10 years experience in a similar capacity marketing consumer durables with an excellent track-record. This is a very senior opening with excellent growth potential.

SALES MANAGER:

Graduates preferably holding post graduate Marketing Management qualifications with around 8 years marketing/selling experience of the above mentioned products.

SERVICE MANAGERS-ELECTRONICS/AIRCONDITIONING:

Should be Electronic/Mechanical engineers with minimum 7 years'experience as in-charge of a service centre looking after the after sales service of entertainment electronics, airconditioners, home appliances, with a team of engineers and technicians.

All posts carry a very attractive package with good growth prospects.

Mail detailed biodata with a recent photograph, giving contact tel. no. and quoting post and ref. no. VP-178 on the application and envelop to: BEAM Services, 1, Colaba Chambers, 117, Wodehouse Road, Colaba, Bombay 400 005.

APPOINTMENTS

EXCITING ASSIGNMENTS FOR YOUNG PROFESSIONALS

NIGERIA **HIGH ASSURED SAVINGS**

A well established reputed industrial group with international affiliations is looking for professionals with outstanding track record, adaptability and maturity to succeed in Nigerian environment to fill the following key positions:

PROJECT MANAGER –
FINANCE ORIENTED

He will be responsible for initiating and implementing diversification plans and overseeing new projects. Necessary technical assistance would be provided. Applicants would ideally be Engineer-MBAs or Chartered Accountants with about 5 years experience covering corporate planning, identification of investment opportunities, project evaluation and implementation, liaising with financial institutions etc. (Ref. No. SB/F-3207).

MANAGEMENT ACCOUNTANT
(WITH TEXTILE BACKGROUND)

He will be mainly responsible for cost and management accounting of the group's large composite textile mill. Applicants should be Chartered/Cost Accountants with 5 to 10 years relevant experience. Textile background and exposure to computerised environment are essential. (Ref. No. SB/F-3208).

EXPORT MANAGER

He will be responsible for developing exports from Nigeria. Applicants must preferably be MBAs with about 5 years experience in International trade. Experience of commodities and agricultural produce will be an advantage. (Ref. No. SB/F-3209).

Preferred Age: Around 30 years.

Positions offer attractive compensation package and fringe benefits with savings potential of US $ 10,000/15,000 per annum.

Apply immediately quoting relevant Ref. No.

DATAMATICS STAFFING SERVICES
Post Box No. 106 G.P.O. Bombay 400 001.
Reg. No. 000698 BOM/PER/100/3/347/84

Dixson

APPOINTMENTS

Bank of Baroda

HEAD OFFICE: MANDVI: BARODA

"RECRUITMENT OF OUTSTANDING SPORTS PERSONS"

Applications are invited from talented young athletes (Field/Track). Cricket/Football/ Table-Tennis/Badminton/ Carom/Hockey/ Volley ball/Kabaddi/KhoKho Players (Indian Citizens only) fulfilling the following eligibility criteria for recruitment in the Clerical/Subordinate cadres of the Bank.

Eligibility Criteria	Clerical Cadre	Subordinate Cadre
Educational Qualifications:	Minimum 10th Standard pass or equivalent	5th Standard pass but should not have studied beyond 8th standard with ability to read and write.
Sports Qualifications:	Should have represented the State in National event OR the District in State level event with distinction.	Should have represented the District in State level event OR should have participated in an all India School Event.
Age (as on 28th Feb. 1989)	18 to 26 years	18 to 26 years
RELAXATION IN AGE LIMIT: • SC/ST CATEGORY	5—years (clerical & subordinate cadre)	
• Ex-Servicemen (with minimum of six months continuous service in the defence forces)	3 years in addition to the actual period of service in defence forces)	
SELECTION PROCEDURE:	:This involves Written test and/or Interview and Medical examination as per Bank's procedure.	
PAY SCALES: (Pay scales likely to be revised)	Fitment shall be at the minimum of the pay scale given herebelow CLERICAL CADRE: Rs. 520-1600 * Applicable Allowances SUBORDINATE CADRE: Rs. 430-790 * Applicable Allowances	
PROBATION:	Selected candidates in both the cadres shall be initially on probation for a period of six months	

GENERAL TERMS AND CONDITIONS: 1) Candidates recruited shall be governed by the Rules/Regulations applicable to their cadre. 2) Selected candidates are liable to be posted in any Branch/Office of the Bank in India. 3) It will be a condition ofemployment that candidates recruited shall represent the Bank in games/sports in which they are proficient. 4) The Bank reserves the right to reject any application in its discretion without assigning any reasons thereof. 5 Reservation of SC/ST and Ex-servicemen shall be as per the government directives. 6) Should any of the particulars furnished by the applicant be found to be a false or incorrect, his/her candidature is liable to be rejected. 7) Canvassing in any form will amount to disqualification.

HOW TO APPLY: Candidates fulfilling the eligibility criteria should submit application either in English or Hindi in the following format.

application for recruitment of outstanding sports persons in.....cadre:

1. Name
2. Address for correspondence
3. Nationality 4. Religion
5. Category-Sc/ST*/Ex-servicemen*/General
6. Age (Date of Birth)@
6. Age (Date of Birth)*
7. Educational Qualifications
8. Details regarding achievement in Sports
i) Field
ii) Level of representations viz. District/State/National etc.
iii) Recipient of any National/State award.
9. Past experience, if any (details thereof)
10 DECLARATION:

Affix passport size photo duly signed on the front.

i) I hereby declare that all statements made in this application are true, complete and correct to the best of my knowledge and belief. I understand and agree that in case any of the particulars furnished by me are found to be false or incorrect at any stage, my application/candidature is liable to be summarily rejected and if already appointed, my services are liable to be terminated. ii) I agree to serve in any office/branch of the bank upon appointment.

Place: Date: APPLICANTS SIGNATURE

Copies of certificates should be attached.

Applicants who are already employed in Public Sector Undertakings Government/Quasi Government Department etc. should route their applications through proper channels. They shall be also required to produce "No Objection Certificate" from their employer at the time of interview.

Incomplete applications and applications without attested copies of certificates specified are liable to be rejected.

Applications in the prescribed formal accompanied by copies of certificates should be forwarded to the Deputy General Manager (Personnel & Industrial Relations), Bank of Baroda, Head Office, Baroda House, Mandvi, Baroda-390 006.

superscribing the envelope "Recruitment of Outstanding Sports Persons-1989" so as to reach on or before 30th April, 1989.

VICE PRESIDENT – MARKETING

Bombay

A leading pharmaceutical products company has retained us to locate a Vice President Marketing. The company has a record of fast growth and plans for further expansion and diversification.

The position would report to the Managing Director and have responsibility for the total marketing function.

We invite applications from high profile professionals with a track record in the marketing of pharmaceutical products in the age group of 40-45 years. They should be at a functional head level with independent charge.

Emoluments will be on par with the best in the industry and will include a company car.

PERSONNEL SEARCH SERVICES
(A division of Lobo Business Services Pvt. Ltd)
3rd Floor, Sambava Chambers, Sir P.M. Road, Fort, Bombay-400 001.
Tel: 2862660, 295963

CLAMAR

APPOINTMENTS

SENIOR PROFESSIONALS

Excellent Terms

The IMFA Group is a large private sector **professionally** managed company with an investment of over Rs. 300 crores. With corporate headquaters located at Bhubaneswar and branches in India and abroad the Group is emerging as a **world leader** in strategic ferro alloys - it is **already one of the largest manufacturers in Asia.** Besides excellent infrastructural facilities, the manufacturing units include an array of **sophisticated** furnaces including **two gigantic 100% Export Oriented Units. The group requires professionals who believe in excelling on the job and have an inner force to propel themselves to their goals.**

GM (Power Plant) — Choudwar (Cuttack)

The company has a **108 MW Thermal Power Plant** with state-of-the-art Swedish Technology.

The incumbent will be **overall-in-charge** of this highly sophisticated unit. Candidates must be graduates in electrical/mechanical engineering with **10-15 years of generation/supervision experience** of which atleast 5 years must have been as head of the unit or next in command. Familiarity to the latest process control instrumentation and data acquisition systems would be an added advantage.

AGM (Finance) — New Delhi/Bhubaneswar

AGM (Accounts) — Bhubaneswar

For the post of AGM (F) - the incumbent will be responsible for arranging long term finances and working capital requirements of the company. Candidates must have in-depth experience in dealing with financial institutions, commercial banks, RBI etc. Besides, he will assist the GM (Finance) in ensuring optimum deployment of funds in order to maximize return on capital.

For the post of AGM (A/cs) - the incumbent will assist the GM (Finance) in developing the accounting policies of the company and will independently co-ordinate the compilation and finalisation of company accounts, re-structuring and computerisation of accounting, budgeting and costing systems including integration of the same. Besides, the job entails liaison with statutory auditors, banks and other authorities regarding areas of accounts and finance and internal coordination with taxation and secretarial departments.

For these two positions, candidates must be **CA/ICWA** with **atleast 10 years** of experience in manufacturing companies. **Exposure to MIS / computer skills is essential.**

AGM (Purchase) — Bhubaneswar

The incumbent will assist the GM (Purchase) in forming the purchasing policies of the company and will **independently coordinate** the implementation of the entire materials Management function including materials planning, inventory control, procurement, storage, etc.

Candidates must be engineering graduates with senior level experience of **at least 10 years** in reputed engineering companies preferably metallurgical processing plants. Knowledge of import policies, licensing and procedures is essential.

Candidates must be comfortable working in a computerised environment and must have an excellent track record of achievements. The above positions are in the Senior Management category and carry an attactive remuneration package including liberal benefits - however, this will not be a barrier for the right candidate. The company gives importance to recognition and development of its employees and goes out of its way to provide the necessary climate.

If you meet the requirements, please write to us immediately giving details to : VICE PRESIDENT (CA)

INDIAN METALS & FERRO ALLOYS LIMITED
BOMIKHAL, BHUBANESWAR - 751010, INDIA.

imfa GROUP

MEDIA WORLD /IMFA-03/89

VICE PRESIDENT - MARKETING

Delhi

A well known US based multinational setting up operations in India in collaboration with a company belonging to a large, reputed Indian business house and a state government undertaking has commissioned us to locate a Vice President-Marketing. The joint venture is designed to take Indian agriculture, food processing, export, beverage and snack food industries to the leading edge of world class technology.

The position reports to the Managing Director and holds responsibility for the overall marketing plan, marketing strategy, sales and distribution policy and implementation of the marketing plan.

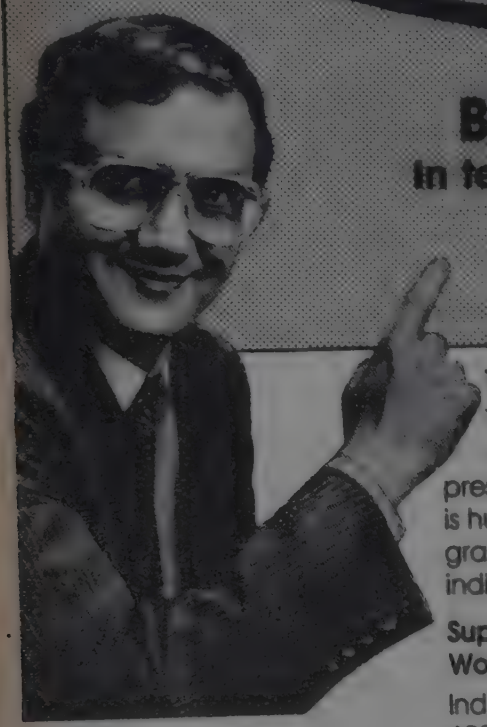
We are essentially looking for young achievers in the age group 32-38 years, with an MBA from one of the leading institutes and 7-12 years of high profile marketing and sales experience.

The compensation package is designed to attract and motivate the best talent in the country

PERSONNEL SEARCH SERVICES
(A division of Lobo Business Services Pvt. Ltd)
3rd Floor, Sambava Chambers, Sir P.M. Road, Fort, Bombay-400 001.
Tel: 2862660, 295963

Clarion

Today's investment opportunity – ABS polymers



Bhansali Engineering Polymers Ltd.

In technical collaboration with Sumitomo of Japan
And marketing support of NOCIL

The Hungry Market

The growing demand for ABS polymers far exceeds the country's present production and the market is hungry for a wider range of grades than are being made with indigenous technology.

Superior Technology from World Giant Sumitomo

India will now get state-of-the-art ABS polymer technology with BEPL's technical collaboration with Sumitomo of Japan, world leader in this field. Sumitomo's enormous technological resources give BEPL more cost-effective processes, superior grades, and a strong competitive edge.

First Time In India

For the first time in India, the complete range of 109 international grades of ABS polymers can now be made available for a growing range of applications from refrigerator liners, kitchen mixers, fans, hand dryers, computer cabinets, telephone instruments, TV cabinets and cameras to luggage and automobile components.

With Bhansali Engineering Polymers Ltd. (BEPL) on the scene, high-growth industries like automobile, electronics and telecommunications can avail of ABS polymers for a rapidly multiplying number of uses.

The Solid Marketing Support of NOCIL

BEPL proposes to market its ABS polymers through NOCIL, a leader in petrochemicals. NOCIL's marketing and distribution strengths will be a big advantage to this project.

With excellent technology, solid marketing strengths and expanding market demand, BEPL's ABS polymer plant has every ingredient that's needed for big-time success and profitability.

BEPL: The Seed of a Successful Project

BEPL is setting up a plant to manufacture 6,000 tonnes per annum of ABS Polymers, at a strategic location in the power-rich state of Madhya Pradesh. The plant is slated to commence production by end – 1989.

To meet a part of the cost of its Rs. 25.25 – crore project, the Company is offering 36,00,000 equity shares of Rs. 10 each for cash at par

Issue Opens On: 2nd May, 1989

Managers to the Issue

SBI CAPITAL MARKETS LTD.
202 Maker Tower E,
Cuffe Parade,
Bombay 400 005

J.M. FINANCIAL & INVESTMENT CONSULTANCY SERVICES LTD.
Merchant Banking Division
141 Maker Chambers III, 13th Floor,
Nariman Point, Bombay 400 021

Indian Bank
Merchant Banking Division
18th Floor, Maker Towers F,
Cuffe Parade, Bombay 400 005

BHANSALI ENGINEERING POLYMERS LTD.,
Regd. Office
706, Dalamal Towers.
Nariman Point, Bombay 400 021.

Hi-growth, hi-tech, petrochemical industry with a world class technology.

Sabhagya 8/BE/89

CRUDE OIL OUTPUT UP

The performance of the crude oil industry during 1988-89 is quite encouraging. During the first nine months, production was about 5% higher than that in the corresponding period of 1987-88. However, the quantity of crude processed (refinery crude throughput) and the consequent production of petroleum products during the first nine months of 1988-89 were almost stagnant at levels attained in the corresponding months of 1987-88.

HIGHER SUGAR PRODUCTION

Sugar production during December 1988, the third month of the current sugar season (October 1988-September 1989), reached 15.95 lakh tonnes, around 18% higher than in the corresponding month of the previous year. Despite lower production in October 1988, compared to that in October 1987, overall production during the first quarter of the 1988-89 sugar season at 24.06 lakh tonnes was higher by 16.5% than the 20.65 lakh tonnes during the corresponding period of the 1987-88 sugar season.

RECORD YARN OUTPUT

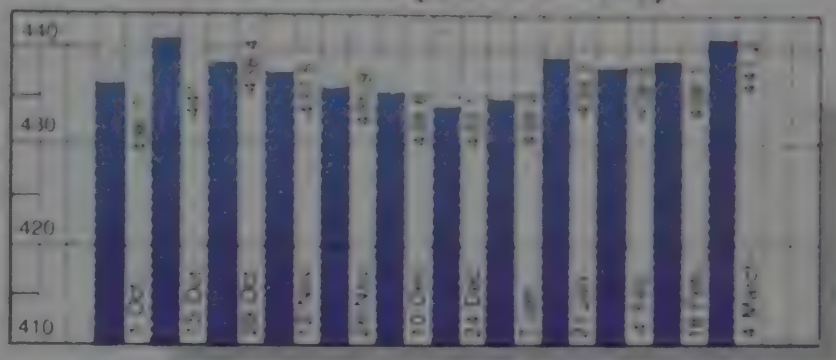
Production of cotton and blended yarn in December 1988 reached an all-time high at 138.6 million kg, surpassing the previous high of 135.9 million kg reached in March 1987. Though production of yarn had depicted a rising trend during April to September 1988, the monthly production was always lower than the corresponding month of 1987. Between October and December 1988, not only was the uptrend in production of yarn continued, but the level of monthly production was also higher than that in the same month a year ago.

CAPITAL ISSUES SCALE NEW PEAK

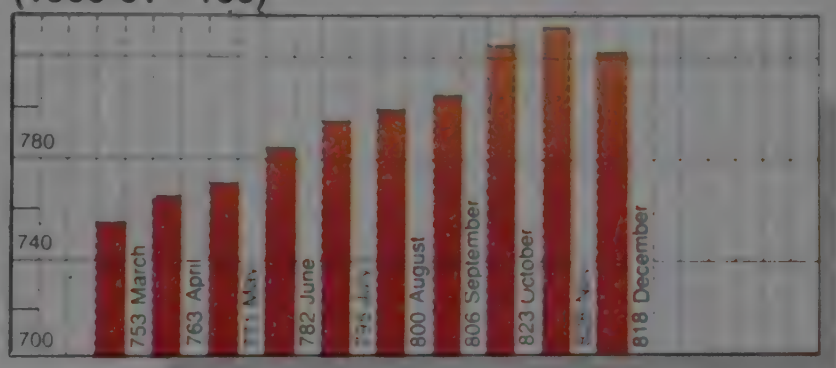
During the latest 12-month period ended February 1989, total capital issues recorded a new high of Rs 4,944 crores which includes Rs 320 crores issued by certain term lending institutions and mutual funds like the ICICI, UTI, SBI Capital Markets, Canbank Financial Services, etc. These capital issues were 25% more compared to Rs 3,987 crores (including Rs 435 crores issued by certain term lending institutions and mutual funds) during the preceding 12-month period.

Foreign Exchange Rates (Spot)	28 March (Rs)
One P. Sterling	26.70
One US Dollar	15.56
One D.Mark	8.27
One hundred J.Yen	11.70
One Saudi Riyal	4.15
One Kuwaiti Dinar	53.50

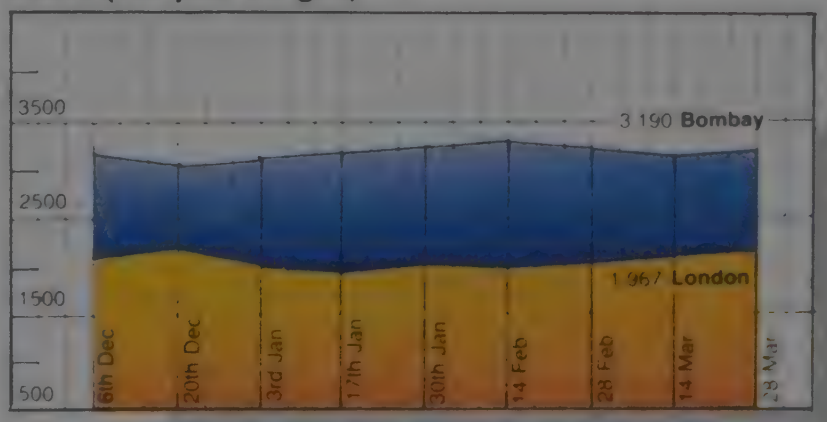
Wholesale Price Index (1970-71 = 100)



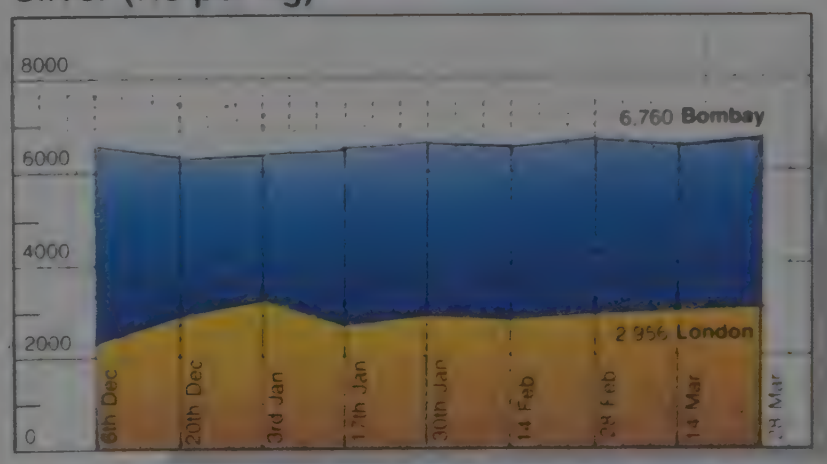
Consumer Price Index for Industrial Workers (1960-61 = 100)



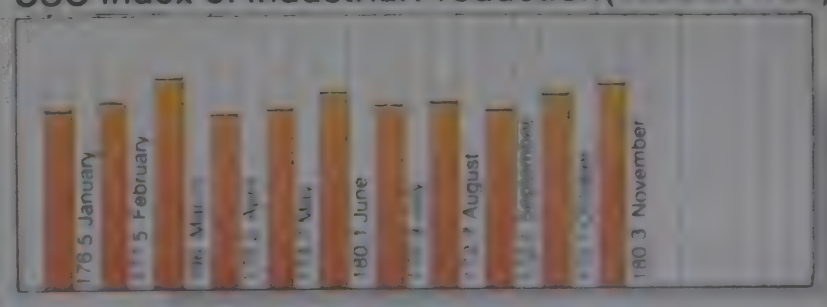
Gold (Rs per 10 gm)



Silver (Rs per kg)



CSO Index of Industrial Production (1980-81 = 100)



It takes TISTECH to pioneer



TISCON TMT
42 and 50 grades
(IS:1786) are available
in the range of 8 mm
to 22 mm diameter.

dia's first Thermo Mechanically Treated rebar

Presenting

TISCON TMT

from

Tata Steel

Produced by world class "Tempcore Technology"

TISCON TMT. Yet another first from Tata Steel. Produced by the world's most advanced Tempcore Process that uses Thermo Mechanical Treatment (TMT) instead of conventional cold twisting to impart high strength to the bar. Introduced in India for the first time under licence from Centre de Recherches Metallurgique (CRM) of Belgium.

A premium quality product

Tata Steel owns its raw material sources and has the perfect combination of blast furnace, LD and Concast facilities. This ensures superior chemistry.

TISCON TMT is rolled in India's most technologically advanced Bar & Rod Mill to close dimensional tolerances and a superb surface finish.

As a result, TISCON TMT has a package of properties superior to the standards specified in IS: 1786.

Unique benefits

TISCON TMT can be used on its own or in combination with any conventional twisted bar to give unique benefits to the construction sector.

- High strength, guaranteed to IS: 1786 standards, coupled with superior ductility makes structures extremely safe.
- Extra high bendability leads to ease of fabrication.
- High corrosion resistant characteristics can be used with great advantage in all concrete structures.

TISCON TMT. First in technology. First in quality. First in benefits.



TATA STEEL

The first and still the foremost



GOENKA IS BRINGING IN A MARKET-LED CULTURE

WINDS OF CHANGE

Although it's only six months now that Sanjiv Goenka has taken executive charge of Harrisons Malayalam, the winds of change are already blowing hard over the sleepy Cochin-based plantation company of which little is known or heard about despite its eminent profitability. The acquisition of a new managing director in S. Samuel — transferred a few weeks ago from the RPG group company Ceat — is only one of several changes affecting the company's hitherto placid existence.

Goenka is impresarioing the introduction of a market-led organisational culture — to which end an introductory step has been the hard-driving launch of a medium value packet tea (brandnamed Surya) in the north Indian market. And although Harrisons has no organised wholesale or retail network in the northern region worth the name, initial market reports indicate that Surya is holding its own in what is after all a ruthlessly competitive sector.

The drive for efficient production coupled with imaginative marketing has yielded quick results in bottomline terms too. Reportedly, the second half of Harrison's recently (31 March) concluded financial year has witnessed record profits.

AND THE WINNER IS...

The multi-cornered battle for petrochem projects may soon get polarised. Dhirubhai Ambani is well-ensconced on one side, no questions asked. On the other side are a host of contenders, but if the whistleblowers in Delhi have their way, this ambitious bunch will have to wait for a long time.

The proposals for gas/naphtha crackers and downstream units put up so far add up to a massive overcapacity which, if sanctioned, would doom all. So the government has set up an advance action committee headed by Abid Hussain to decide which project should get priority. The committee is likely to suggest:

- Update of demand-supply projections every five years.
- Clearance for gas-based projects first. Next in line of clearance, therefore, is the project at Auriya (UP). This also means that the Assam gas cracker proposal of Vam Petrochemicals may be the dark horse.
- Shelving of projects based on imported naphtha. This could make life difficult for Vijay Mallya, who is bidding for a petrochem project at Visakhapatnam, partly based on imported naphtha.
- Clearance for cracker proposals where the promoters can find the money for it all by themselves.

Add up the above proposals and the winner is obvious. There are no prizes for the right answer.

GALLOPING DIVERSIFICATION

Even as the Indodan group of companies (of Gold Cafe fame) was recently celebrating the first anniversary of its entry into the instant coffee market, chairman Hari S. Jalan seems to be pushing aggressively ahead in a major diversification move.

For starters, the group is fast coming up with a biscuit and bread manufacturing unit at Ghaziabad at a capital cost of Rs 2 crores. It is also setting up a Rs 10 crore ceramic tile factory in Alwar. However, by far the most ambitious move will be a Rs 200 crore steel plant.

The canny Jalan is all ready to open an advertising and public relations outfit. During the recent convulsions at Clarion, a senior manager from the Delhi office was expected to take charge of Jalan's new advertising agency. But this seems to have received a setback with the Clarion gentleman having decided to stay put.

Observers point out, however, that all these new investments have created a serious cash flow problem for the group. In fact, a new baby cereal called "First Food" which was expected to hit the market by now has not taken off. Indications are that this may be just the beginning of a series of problems for Jalan.



IS JALAN BITING OFF MORE THAN HE CAN CHEW?

RESHUFFLE AT BROOKE BOND

A top-level reshuffle is on the cards at Brooke Bond in the wake of C.S. Samuel's retirement on 2 April and the appointment of 42-year-old gold collar manager Jati Sabharwal as managing director and chief executive. With Samuel's exit, the Lever influence will be more overt. (In Samuel's time he had firmly resisted yielding decision-making powers to parent Unilever).

As such, two new vice-presidents are joining the Bangalore-based company: one for finance from sister company Pond's and one for marketing, an expatriate on deputation from Holland. Meanwhile, both senior vice-presidents are reportedly leaving. Nikki Roy is moving to Hyderabad as managing director of Coromandel Fertilisers while Calcutta-based Shiv Srivastava is also hanging up his gloves.

When you buy a Paharpur-Marley Cooling Tower





Putting in a little extra effort on your order comes natural to a Paharpur man. He'll do everything he can to make sure your cooling tower is manufactured exactly the way it was ordered and gets where it's supposed to be, when it's supposed to be there.

Our engineers are well-trained. Years of experience give them the practical knowledge to meet any challenge. In fact, you may be surprised at how much they know about your plant, your process, your personnel and, in some cases, your old cooling towers.

This is the way we've been doing business for more than 40 years. And we're not about to change now, even if it means burning the midnight oil.

In technical collaboration with The Marley Cooling Tower Co, U.S.A.

Experience You Can Depend On, Quality You Can Trust

PAHARPUR COOLING TOWERS LTD.,

8/1/B Diamond Harbour Road, Calcutta-700 027, India.
Phone : (033) 45 8956, (033) 49 4150
Telex : 21-8068 PCTC IN, 21-8071 PCTS IN

BUSINESSWORLD 12 APRIL 1989
REGD NO. MH BYS-141 TN MS(C) 673 WB CC-525



1. Ahmedabad Motocross



2. Jaipur Motocross



3. Solapur Motocross



4. Karavali Motocross '87



5. Chandigarh Enduro Race



6. Earth to Sky Expedition



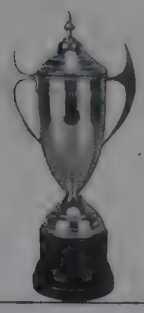
Ten out of Ten



7. Dhrangadhra Cross Country



8. Vidharbha Motocross



9. Scissors Tara Motocross



10 Karavali Motocross '88

Again the Narmada 150 Prince wins. The first and second positions at the Karavali Grand Prix National Motocross.

Not surprising really, for the Narmada 150 Prince. The winner of 9 previous motocrosses. Across India's deserts and mountains. Rocks and boulders. Country trails and city roads.

The Narmada 150 Prince. Powerful 150 cc engine, that delivers sheer power and dependable toughness. 42 kms. per litre fuel efficiency under city riding conditions. And a safe 1200 mm wide wheelbase.

The Narmada 150 Prince. Powerful, economical, stable and dependable.

Gujarat Narmada Auto Limited
GNAL
(A wholly owned subsidiary of GNFC)
Narmadanagar-392 015, Dist. Bharuch, Gujarat.

Narmada 150 PRINCE

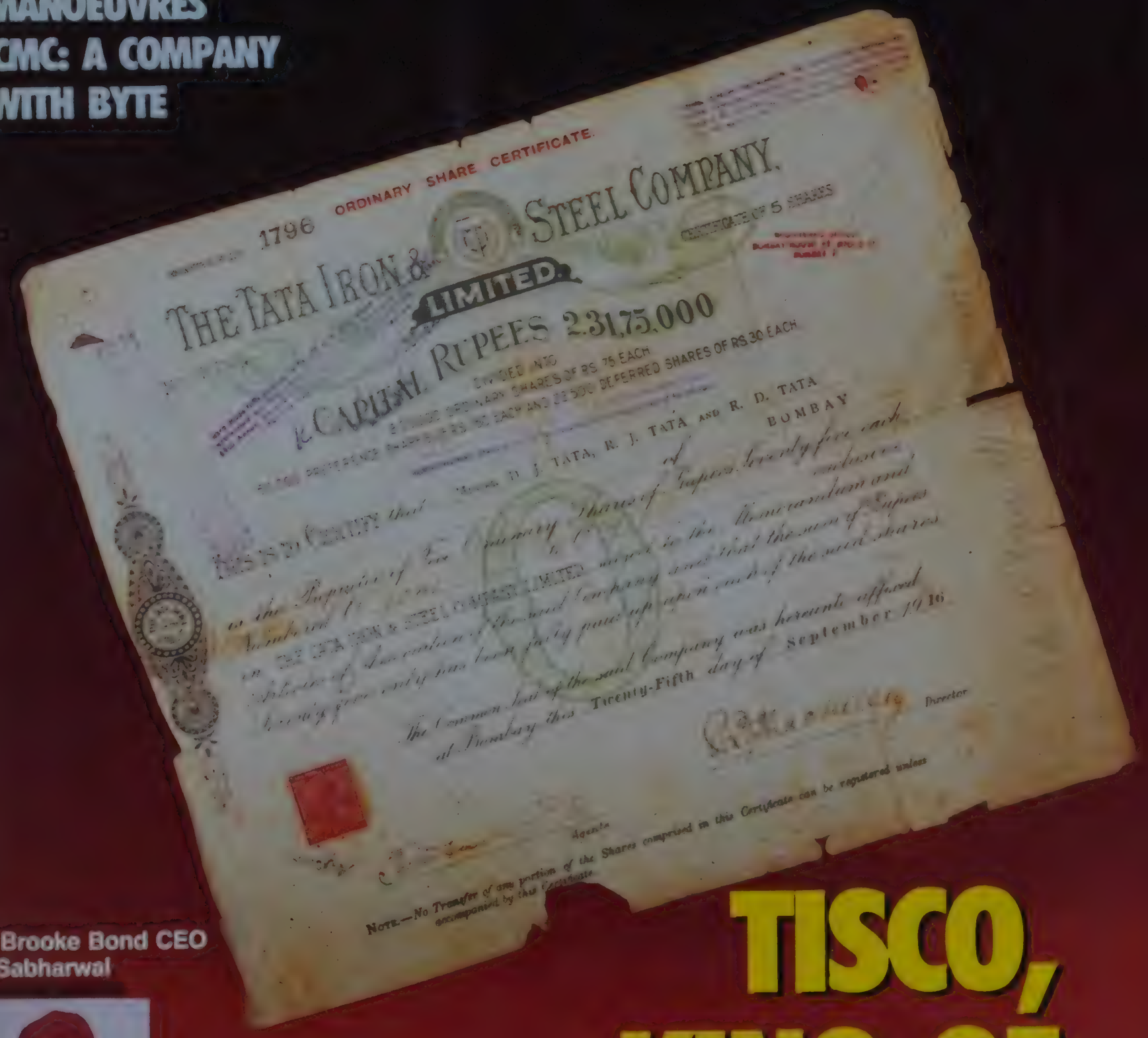
Tough! So you can depend on it.

THE MAGAZINE FOR INDIAN BUSINESS

APRIL 26-MAY 9, 1989 AN ANANDA BAZAR PUBLICATION RS 5

BusinessWorld

- DCM: NEW MANOEUVRES
- CMC: A COMPANY WITH BYTE



TISCO, KING OF STOCKS

New Brooke Bond CEO
R.S. Sabharwal



BROOKE BOND'S NEW HORIZONS

filter trend • Wills Filter's the finest

THE OFFICIAL POLISH JOKE BOOK

Made for each other

Wills Filter set the filter trend in cigarettes long years ago. Today it's still the finest. In taste, in satisfaction. Hand-picked virginia tobaccos married to an efficient filter make it so. Millions of smokers have discovered it, then stayed with it.

WILLS

FILTER TIPPED

STATUTORY WARNING
CIGARETTE SMOKING
IS INJURIOUS TO HEALTH

WILLS FILTER

Filter and tobacco perfectly matched

TUTORY WARNING
GARETTE SMOKING IS

VOLUME 9 ■ ISSUE 2
APRIL 26-MAY 9, 1989 RS 5

BusinessWorld

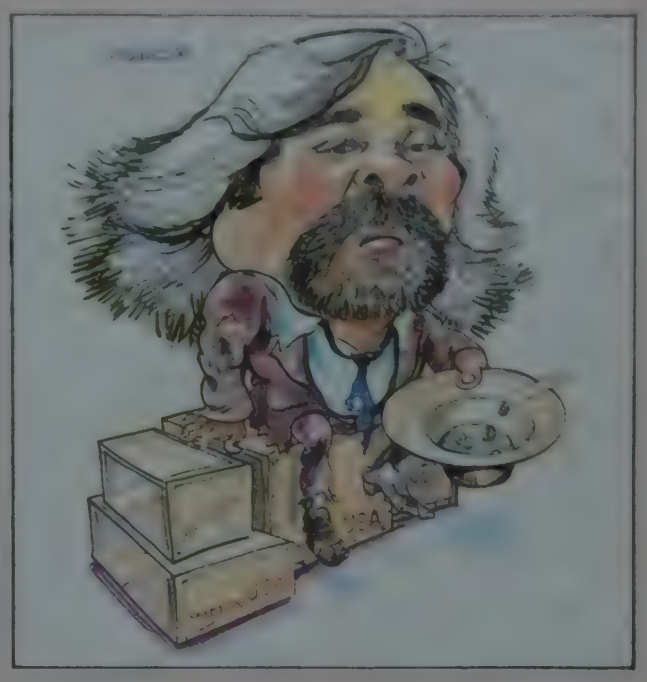
the magazine for Indian business

Editor
R. Jagannathan
Assistant Editor
Parthasarathi Swami
Delhi
Alam Srinivas
George Skaria
Bombay
Maya Rai Choudhuri
Debashis Basu
Calcutta
Sujoy Gupta
Bangalore
N. Raghavan
Hyderabad
P.L. Diwakar Rao
Chief Sub-editor
Mukul Pandya
Sub-editors
K. Madhavadas
Anil Wanvari
Roy Pinto
Niranjan Rajadhyaksha
Art Director
Amiya Bhattacharya
Layout
Hajoo Aslam E
Kiran Parker
Marshall Mascarenhas
■ **Editorial Office**
145 Atlanta, 209 Ceremonial Boulevard
Nariman Point, Bombay 400021
Phone: 221178, 233193
Circulation/Subscription enquiries
Bombay: Ph. 260268
■ **Head Office & Regd. Office**
Ananda Bazar Patrika Limited
6, Prafulla Sarkar Street, Calcutta 700001
Phone: 278000, 274880
Regional Offices
Bombay
145 Atlanta
209 Ceremonial Boulevard
Nariman Point, Bombay 400021
Phone: 240581, 240426
Delhi
1/7 IENS Bldg.
Rafi Marg
New Delhi 110001
Phone: 385401 Ext.37 (Editorial)
383058 (Editorial)
389078 (Advtg.)
Madras
Dents Garden, 18 Pattulos Road
Madras 600002
Phone: 869379, 868227
Bangalore
14, Madras Bank Road
4th Floor
Bangalore 560001
Phone: 568227, 568228
London
Wheatsheaf House, Carmelite Street
Fleet Street, London EC4
Phone: 01-353-1821
Inland Subscription Rates
One Year: Rs. 110
Two years: Rs. 210
Three years: Rs. 310

BusinessWorld does not accept responsibility for returning unsolicited manuscripts and photographs. All unsolicited material should be accompanied by self-addressed envelopes and sufficient postage.

Published from 145 Atlanta, 209 Ceremonial Boulevard, Nariman Point, Bombay—400021 and printed at 6 & 9, Prafulla Sarkar Street, Calcutta—700001 for Ananda Bazar Patrika Limited by Ranen Chakraborty

BUSINESS QUOTES



■ **I'm not making a dime here. It is costing me $10 million to stay in this country**

Telecom czar Sam Pitroda, on allegations that he is directing purchase orders to US companies, particularly his own, quoted in *The Sunday Observer*.

■ **I have told the IMF and the World Bank. I won't be requiring any assistance from them.**

Finance minister S.B. Chavan, quoted in *The Telegraph*.

■ **It will be my endeavour to hold the price line as long as possible through better operational efficiency.**

Coal India chairman M.P. Narayanan, quoted in *Financial Express*.

■ **There is normalcy in the organisation... With a little toning up of the administration, there has been an improvement in plight (sic) timings.**

New Indian Airlines managing director R. Prasad, quoted in *The Economic Times*.

■ **Management schools in the US teach the lesson that if you want to succeed in business, you have to think of business all the time... I think of business all the time and I enjoy it.**

Spic president A.C. Muthiah, quoted in *Business Standard*.

■ **I think the business climate has changed for the better... The sky is the limit as far as our industry is concerned.**

Ficci president Raunaq Singh, quoted in *Sunday Mail*.

■ **There is no harm in certain (types of) closure and it should not be considered as sickness.**

Union textiles minister Ram Niwas Mirdha on closed textile mills, quoted in *The Indian Post*.

■ **To win in the broader business market, you have to have the big names.**

Apple founder Steven Jobs on the tieup of his new outfit, Next Inc., with retail giant Businessland Inc., quoted in *The Asian Wall Street Journal*.

■ **Perestroika takes time, patience, perseverance and creative effort.**

Soviet president Mikhail Gorbachev, quoted in *Financial Times*.

■ **If it comes to a choice between greater democracy and stability, then I opt for stability.**

Hongkong tycoon Lord Kadoorie on the colony's future, quoted in *Time International*

BusinessWorld

IN THIS ISSUE

SPECIAL REPORTS

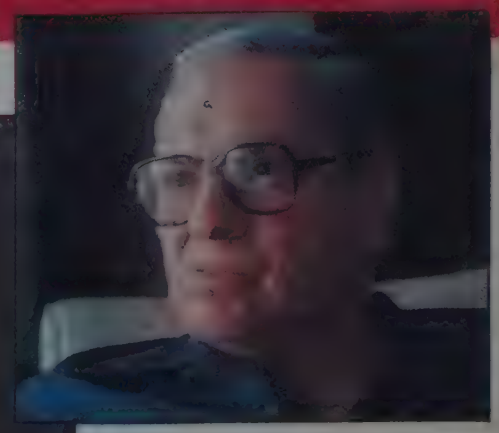
TISCO, KING OF STOCKS

Tata Steel, a market mover in times good or bad, has in recent times been the most traded scrip on the stockmarkets. Now with a blockbuster Rs 565 crore debenture issue in the works — the largest ever — it is all set to displace Reliance in the market capitalisation league. Its massive modernisation and expansion plans underpin its position as king of the stockmarkets.

■ PAGE 42



A COVETED SCRIP. INSET: TATA STEEL CHAIRMAN RUSSI MODY



SHEDDING LIGHT ON CESC

P.B. Ghosh, the new managing director of CESC Ltd., has powerful plans for his charge. And takeover tycoon R.P. Goenka has like plans for the company.

■ PAGE 30

DCM: NEW MANOEUVRES

With the Bharat Ram faction having acquired a 20% plus stake in DCM, they are in a position to call the shots. And they are doing it in style. In the process the trifurcation deal seems to be jeopardised. DCM's future is debatable and there are big question marks about who is going to get what.

■ PAGE 40

COMPANY NEWS & EVENTS

MUL'S OFFSPRINGS DISAPPOINT

The joint ventures set up by Maruti Udyog Ltd (MUL) were expected to make profits from day one. However, the companies have failed to live up to these expectations.

■ PAGE 48

Other Company News items from page 49.

IN THE NEWS

LURE OF THE SOUTH

Malaysia Airlines wants to increase the frequency of its flights on the Madras-Kuala Lumpur route. Managing director



RAHMAN WANTS MORE MADRAS FLIGHTS

Abdul bin Abdul Rahman thinks there is enormous scope for promoting tourist traffic to the south.

■ PAGE 28

KAMANI TUBES' SECOND INNINGS

The machines are running again at Kamani Tubes Ltd., this time with the workers managing the show. Given the novel nature of the experiment, there will be a lot of eyes trained on the company's performance.

■ PAGE 28

REAPING PROFIT FROM POWER

Punjab Power Generation Machines Ltd. (PPGML), a Crompton Greaves joint venture, hopes to make a splash with small power turbines. The huge market and a healthy order book position should ensure success for PPGML.

■ PAGE 30

A-MAIZING VENTURE

The Facor group has set up an outfit — Indian Maize & Chemicals Ltd. (IMCL) — to derive five products from maize starch. In three of the product categories IMCL is coming in direct confrontation with Glindia. IMCL's managing



SARAF IS READYING FOR THE STARCH WARS

director, Yogesh Saraf is getting ready for starch wars, part one!

■ PAGE 31

BUSINESS FEATURE

NEW BREW, NEW CREW

Brooke Bond, a company whose mainstay has been tea and coffee, has just acquired a new CEO, Jati Sabharwal. Simultaneously, it is planning a major foray into foods, the first manifestation of which is its Sona spices. Given the Unilever backup, the future is bright for this current crop of diversifications.

■ PAGE 54

SABHARWAL IS DISPLAYING AN APPETITE FOR THE FOODS BUSINESS



IN THIS ISSUE

A TONIC FOR GROWTH

When the relatively unknown Rahimtula group test marketed a plant growth stimulant, Green Magic, it reaped a good harvest. Now going into commercial production, managing director Hasan Rahimtula is hoping that the potion will accelerate the group's growth.

■ PAGE 32

GOODBYE & BAD BLOOD

Sea-Land Services Inc. has finally decided to stop operating from Calcutta. But, says regional general manager



ROELS SEES NO REASON FOR RANCOUR

Roger Roels, it is simultaneously stepping up services in five other Indian ports.

■ PAGE 32

IN HOT PURSUIT OF EXPORTS

With competition in the domestic white goods sector hotting up, Kelvinator is looking towards exports and expanding its product range. And in both areas it is meeting with success.

■ PAGE 33

LEARNING THE TRADE

After being in the technical teaching business for nearly 25 years, Bangalore-based Nettur Technical Training Foundation has now ventured into manufacturing.

■ PAGE 33



GUPTA WANTS TO TAKE CMC PLACES — INTERNATIONALLY

SPOTLIGHT

BIG BYTE

CMC Ltd. (formerly Computer Maintenance Corporation) is often dismissed because critics claim that as a public sector unit its sterling performance is because of captive orders from others of its ilk. But its remarkable showing is more a result of its own abilities. The company is today the biggest in its field. CMD Prem Prakash Gupta is not resting on his oars.

■ PAGE 69

COMMENT

OF HIPS AND LIPS

The buzzword in marketing today is involvement. Many products have only a market as commodities. The key to convert them from low involvement products (LIPs) to high involvement products (HIPs) is to tap the individual psyche. But it is easier said than done.

■ PAGE 13

GIVING MANAGERS THEIR DUE

Thanks to the stipulations of the government, managers in India do not get a sufficient return for their labours. It is necessary to evolve a system by which they are at least partially compensated for their efforts. The alternative is loss of motivation.

■ PAGE 17

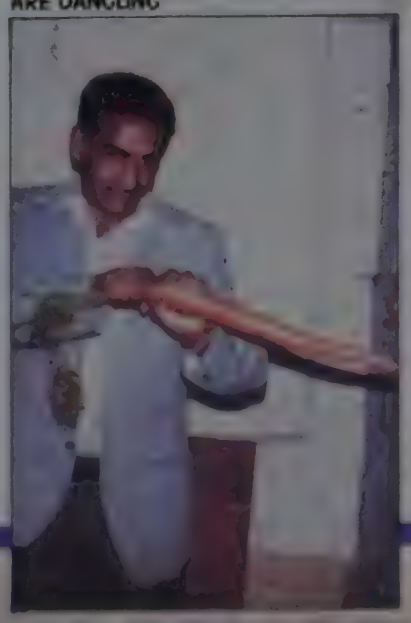
SPECTRUM

SEEDY BUSINESS

Everyone, including multinational subsidiaries, is getting into the act of making hybrid seeds these days. But while in some ways it is a boon, in others it means the destruction of the vast variety available under Nature's regime. Will it really pay off in the long run?

■ PAGE 21

THESE ARE THE CARROTS THE SEED COMPANIES ARE DANGLING



OTHER PAGES

BUSINESSPEOPLE ■ PAGE 4

EDITORIAL ■ PAGE 5

LETTERS TO THE EDITOR ■ PAGE 6

GOVERNMENT WATCH ■ PAGE 7

CORPORATE COMBAT ■ PAGE 8

AD & MARKETING WORLD ■ PAGE 9

POLITICAL COMMENT ■ PAGE 11

TAXATION ■ PAGE 20

BANKING & FINANCE ■ PAGE 26

ECONOMY & BUSINESS ■ PAGE 34

INTERNATIONAL NEWS ■ PAGE 62

TECHNOLOGY PLUS ■ PAGE 75

STOCKMARKETS ■ PAGE 76

MONEY & INVESTMENT ■ PAGE 78

PEOPLE & PLACEMENTS ■ PAGE 85

PICK OF THE JOBS ■ PAGE 86

EXECUTIVE CAREERPATH ■ PAGE 88

APPOINTMENTS ■ PAGE 89

ECONOMIC REVIEW ■ PAGE 109

OFFSTAGE ■ PAGE 112



KASHYAP GOT A HUSAIN FOR CONSOLATION

Quite literally, Aditya Kashyap's right foot is also his best foot forward. Thanks to a recent skiing mishap, Tata Steel's sporting executive director is walking around in crutches these days with his right nether limb encased in plaster. But more than just this temporary infirmity has made the right leg famous.

The inimitable M.F. Husain has sketched and autographed one of his famous horses on Kashyap's plaster-casing, instantly converting it to what is arguably the most celebrated piece of medication in the country today. Certainly, it's Husain's rarest sketch — one which you have to roll up a trouser leg to see.

But Kashyap says he is only the temporary owner of his unique piece of art. "I shall gratefully present it to my surgeon once he cuts the plaster open," he says. Clearly, he'd rather walk straight than be a walking curiosity.

Anand Rathi, president of Indian Rayon and Industries Ltd., is looking for ideas. The future of Birla White, a division of Indian Rayon, depends on how successfully he can hawk white cement in a buyers' market.

"Five years ago, white cement was a scarce commodity in India," he says. "Since then so many units have come up that there is a glut."

But he does have some ideas. First he is plugging unconventional uses of white cement. Second, he has taken a page out of Asian Paints' marketing book and is launching Birla white cement in 1 kg packs. Thus people who want a limited quantity of cement need not buy the stuff loose and run the risk of getting adulterated material.

Rathi agrees that the ploy is borrowed. But, he adds, "there is very little new in marketing. What matters is whether it works." And Rathi is sure it will. If Birla White, now in the red, has to move into the black, it had better.

WHITE CEMENT PUSHER RATHI



VON DER DECKEN IS BANKING ON INDIA



He thinks there is a "run for the Indian market" and he would like to be part of it. And Christoph von der Decken, member of the board of managing directors of Dresdner Bank, is backing his hunch by setting up a representative office in India which, he hopes, will later blossom into a full-fledged branch.

"India is a country of the future," says he. "We see enormous scope for us here. We would not be setting up an office if we didn't."

Dresdner Bank has been active in the country for nearly three decades but only recently has it stepped up its operations. "We were egged on by the liberalisations in the economy," says von der Decken. If, as sometimes claimed, such a large amount of money is being stashed away by Indians in foreign banks, can the banks themselves be any too tardy in setting up shop here?



DECONTROL STEEL

The chairmen of the Steel Authority of India Ltd. (Sail) and Tata Steel, V. Krishnamurthy and Russi Mody respectively, together constitute a formidable duo. On a personal level, they epitomise the acme of professional achievement, in recognition of which a grateful nation has deservedly bestowed state honours on both. On an institutional plane, both Krishnamurthy and Mody can be credited with having consistently nurtured the cult of organisational excellence, albeit with different shades of success.

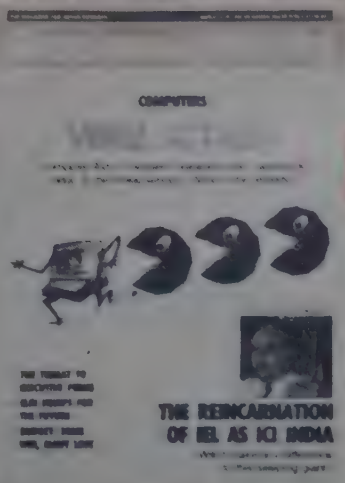
The point one is driving at is simple: these two captains of the steel industry have excellent performance credentials and, as such, their opinion needs not only to be heard with respect but also promptly acted upon. In recent weeks, both of them have been pleading one common cause: total decontrol of the steel industry. So far, there is no evidence that their plea has fallen on receptive ears.

In the Indian milieu, one tends to accept regulations without question. The Iron & Steel Control Order is an extreme example of unquestioning subservience to authority, given that it was originally promulgated during the Second World War to meet entirely different objectives. After over 40 years of control, there is precious little to show that either producers or consumers have benefited from it. Producers are subject to the straitjackets of an administered pricing system which perennially shortchanges them inasmuch as coal, power and transportation cost increases (themselves administered) remain perpetually uncompensated for.

Consumers, on their part, have had to put up with an era of shortages. With operational aspects like higher productivity or product-mix optimisation predictably given the go-by, the nation has had to foot the bill for this inefficiency. (The steel ministry expects imports of steel to touch 1.5 million tonnes this year. With another 230,000 tonnes of pig iron also being imported, the foreign exchange cost will be around Rs 1,500 crores — a heavy price.)

In contrast, the option to scrap all controls and allow market forces to decide steel prices is a far more rewarding one. It would be a more mature policy to throw the onus for matching promise with performance on the managers who actually run the industry.

Finally, there is one very good reason why the Krishnamurthy-Mody plea should be granted: the opportunity cost of failure is minimal. Even if the decontrolled steel industry's performance slides below the current disappointing levels, there will be nothing to prevent a reimposition of controls. It would be foolish not to allow two of the country's best managers to meet the challenge for which they are both willing volunteers.



LETTERS TO THE EDITOR

DEFICITS AND JAW-JAW

H.P. Ranina has rightly stressed the need for curbing and scrapping, if possible, wasteful and low-priority expenditure (*BW* 15-28 March). If such policies are formulated and implemented, at least partially, it could help bring about price stability. Moreover, dependence on deficits and borrowings, both internal and external, could be moderated.

There is very little reason to believe that the management of this part of the budget by the government has been proper. From time to time, those at the helm of affairs have suggested the setting up of an expenditure commission to scrutinise the trends in governmental spending. This would make it possible to find out how more budgetary resources could be released for investment. Even the prime minister in his budget speech in 1987 said that he did not like the large deficit disclosed in the revised estimates for the previous year and proposed to set up a cabinet committee to explore the scope for economy. So far, nothing is known about the committee's existence or its contribution to the declared objective.

But since then, the deficits have ballooned and have been financed mostly by debt. It has been a tale of pious intentions followed by a paralysis of the will to implement them.

ANUPAM SETT
Calcutta

GUIDE THE INSTITUTIONS, PLEASE!

This relates to the Budget Special article 'Budgetspeak translated' (*BW* 15-28 March). The budget has failed to inspire industry, which was the need of the hour. But to make it appear that the stockmarkets were responding well, the financial institutions began to buy scrips in massive quantities. This amounts to speculating with public money. How can capital market movements be dictated by the whim of some finance ministry official instead of the performance of the corporate sector?

The government must issue guidelines to the financial institutions, setting out the terms on which they can buy and sell scrips. Unless this is done, the market distortions caused by the behaviour of financial institutions will do more harm than good.

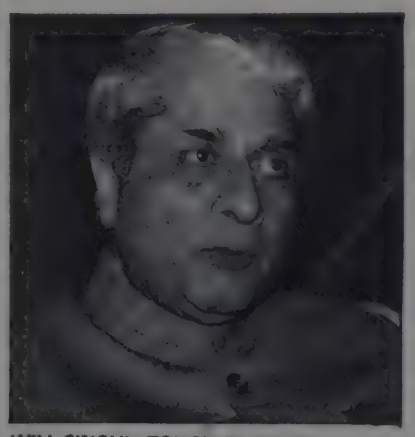
PANNA LAL MUNDHRA
Calcutta

EXPORT FAILURES

Your Economic Comment (*BW* 15-28 March) on the failure of big houses on the export front is indeed timely. Even though this was known for a long time, it is good that the RBI governor has openly spoken about this. Isn't it a matter of shame that organised industry has been increasing its import bill much more rapidly than its export realisations? I am glad that, unlike some other industrialists, IMC president Ram Tarneja shares the concern of the government over the worsening balance of payments.

Most big industrial houses in India have done nothing to promote exports. They have remained complacent with their highly profitable licence-quota-oriented domestic business.

Now that people like the RBI governor R.N. Malhotra and commerce minister Dinesh Singh have done some tough talking, I hope that industrialists will not come up with lame excuses, but will actually use their tremendous infrastructural advantages and clout to get results. They should be proud of the


WILL SINGH'S TOUGH TALKING HELP

work done in this field by the small-scale sector and should actually endeavour to do better.

KRISHAN KALRA
New Delhi

MESSIAH OF DEATH

At last the Messiah of death has come! I mean M.V. Kamath (*BW* 15-28 March). His arguments with supportive allusions defending Ayatollah Khomeini's death sentence against British author Salman Rushdie create confusion confounded. I think Kamath is emerging as a neo-terrorist with a pen and not a gun. And his pen seems to thirst for blood instead of ink.

N.P. KALYANAM
Madras

L'AFFAIRE RUSHDIE

Your Political Comment on the Rushdie Affair by M.V. Kamath ably points out the example of political gains.

The present political deadlock among all Islamic nations concerning Salman Rushdie's *Satanic Verses* is a blot on the face of all civilised people. We pose to be democratic and open hearted. But in the truest sense of the term, are we sincerely so?

SUJAYENDRA DAS
Calcutta

WANTED: BW

I am a regular reader of your magazine, but regret to inform you that it has not been available in Kashmir for the past few months. The last issue which we got in Srinagar was in December 1988. Could you please look into the matter?

RAVINDAR RAINA
Srinagar

PICK OF THE ISSUE

I have no words to thank you for your feature 'Picking new issues'. As you surely know, company MDs are not your only readers. On the contrary, a large number of ordinary laymen like me and my friends value your maga zine greatly.
Considering the great risk and occasional cheating in new issues, your feature is of immense value to this very large section of readers.

RAGHUVIR SARAN
New Delhi.

THE LOW AND MIGHTY

Can an employee stop a company from getting a licence? Doesn't seem possible. But at least he can create a lot of fuss and the government can force the employers to counter the objections.

An employee recently used this unique method of raising an issue before the Centre's licensing authorities. Under s.22 of the Monopolies & Restrictive Trade Practices Act, a company coming under the purview of the Act is obliged to give public notice of its intention to set up a new unit or substantially expand an existing one. Objections are invited from those who are affected by the expansion plan.

Normally, it is the competitors who get into the act and urge the government to refuse the licence. But in the case of MRF's proposal to set up a unit to manufacture 10,000 tonnes per annum of speciality surface coating at Cuddalore, Tamil Nadu, a former employee, Sovan Lal Ganguly of Rishra, Hooghly (West Bengal), urged the government to reject the application because his services had been terminated by the company. The employee wanted his reinstatement to be a pre-condition to giving the company a licence.

One would expect such an objection to grace the waste paper basket. But in this case, the government actually asked the company what it had to say to the employee's objections. The licence was issued only after the clarifications were given.

TELECOM POLITICS

So Sam got the bad end of the stick. The resolution announcing the constitution of the telecom commission, which was placed before the Lok Sabha on 11 April, has made it clear that the secretary to the department of telecommunications would be the ex-officio chairman of the commission. Does this mean that Sam Pitroda, the worthy advisor to the prime minister on technology, who holds the rank of minister of state, is out? Or are there wheels within wheels?

People close to Sam say he is still confident of making it to the commission, but the drama preceding the announcement in Parliament literally amounted to a breach between the Union minister for communications, Vir Bahadur Singh, and his junior colleague, the minister of state for communications, G. Gomango.

Singh has always been against the idea of setting up a commission, mainly because he feels it would dilute his powers. But while he was away in Rajasthan, the cabinet secretary, T.N. Seshan, called up the telecom secretary, Satya Pal, on 10 April regarding the resolution that was to be placed before Parliament the next day. Satya Pal apprised Gomango about this and the latter, in turn, wrote to the Lok Sabha secretariat about the resolution.

Singh returned to Delhi and was furious that such a move had been initiated in his absence. He ordered the telecom secretary to have the notice to the Lok Sabha secretariat withdrawn. Since the secretariat wanted this change to be intimated in writing, the telecom secretary then went to the minister of state for the necessary paperwork. Caught between two opposing directives, Gomango decided to stick to the earlier decision.

The Union minister was almost apoplectic, but his frantic calls to all and sundry produced precious little. Next morning, when Gomango placed the resolution in the Lok Sabha, Singh could barely control his anger. From Parliament he went straight to his residence and was not available in his office for callers.

The telecom commission thus seems to have already rubbed the noses of some influential people in the dust.

IN BAD LIGHT

Taking a dig at opponents is part of the parliamentary game. But when the home minister indulges in this, he has to be careful that it does not boomerang on him. In the case of Buta Singh, what he said while announcing a CBI probe into the Thakkar report leak is bound to boomerang some day or the other.



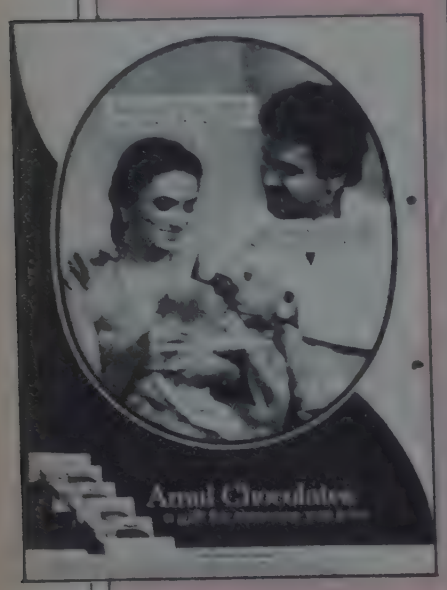
DID NEHRU ACT LIKE A PAPER-WEIGHT?

Without naming either Vishwanath Pratap Singh or Asoke Sen, the home minister referred to their statement that the Thakkar report was neither shown to them nor were they told of its contents when the notification to keep the report secret was discussed at the cabinet committee for political affairs (CCPA). It was a good point to hit them with and Buta Singh could not resist the temptation. He said one of them could have got his dissent recorded at the CCPA meeting and the other could have refused to present the notification before the Lok Sabha.

If he had stopped at that, the point could have been well taken. But no. Singh wanted to have a dig at Arun Nehru also. He said that Nehru, who was his junior, kept the report for six months at his house and did not even inform the home minister. The impression Singh sought to convey was that Nehru did not want any paper to move without his approval.

The obvious question: what was Singh doing about this gross insult? Did he protest? Did he even raise a murmur? Here is a cabinet minister announcing on the floor of the house that the minister of state did not care to inform him about things. This admission does not show either Singh or the government in good light.

BITE TO THE FINISH



With the existing level of competition in the chocolate market, new entrants are not likely to come in rapidly

The chocolate market is turning sour as new entrants make their bid for a slice of the business. Till a few years ago, the market was stagnant — mainly dominated by Cadbury's, who also contributed to the stagnancy by being a placid marketeer. Suddenly, in the past decade, competition in the form of Amul, Campco, Dr. Writer's, Parle and EID Parry has brought this industry alive. Cadbury's is today operating like a front rank marketing outfit — moving ahead strongly to consolidate and further its presence in the marketplace.

Amul was the first to storm the Cadbury citadel. For Amul, moving into chocolates was a step towards forward integration after the hugely successful Operation Flood. Amul also changed the rules by wooing not just children but also adults. The 'I'm too young... I'm too old... but I think you're just right for Amul chocolates' campaign made the brand acceptable to a wider age set of consumers. Amul has also been in the forefront of packaging upgradation.

One expected more out of Campco, simply because it controlled the cocoa supply. It has done well so far (good enough to be included as a case for 'Advertising Works' organised by the Ad Club, Bombay) but it needs one clear winner in its range to build other brands around it. Campco's greatest achievement was getting competition to reduce prices.

CONSUMER PROMOTIONS

Parle's entry with Fudgy has not rocked the boat too much. With totally upmarket positioning and advertising to yuppie kids, it has limited its penetration. Parle's has of course tried something that others have not — the use of consumer promotions. The use of He-man series stickers has fetched a decent sales volume.

Dr Writer's, in collaboration with the Toblerone people for technical inputs and with TTK in India for distribution, has also managed a foothold in the market. Dr Writer's pioneered the small pack concept with Fonda. Cadbury's has reacted well by introducing a 5-star small pack and aptly christening it 5-star junior!

With increasing competition, Cadbury's has moved into faster gear. It continues to push emotional appeal with Dairy Milk. 'The lingering taste of togetherness' continues to draw young teenagers to 5 star. With 5 star, Cadbury's has run some successful consumer promotions. It has also put a twin bar pack into the market. Now, what happens to the feeling of 'share my 5 star? Not a chance'. Cadbury's best advertising move has come with Gems. By going in for the 'Gems Bond' character, Cadbury's has made Gems a part of the child's daily life. Most ads strive for this, few achieve it. The 'Gems Bond' ad has caught the fancy of schoolkids across the country. Will Cadbury's strengthen this strong brand personality with innovative consumer schemes?

Cadbury's most controversial advertising has come with Eclairs. Opinion has been overwhelmingly against the style ever since the campaign broke a few weeks ago. One cannot clearly see the strategy here. Does Cadbury's plan to get Cadbury's Eclairs upfront in terms of awareness since all brands of Eclairs are nearly the same — down even to the colour of packaging? They have definitely brought Eclairs to the discussion stage. The Eclairs campaign is a bit of a surprise given other clear, well thought-out campaigns from Cadbury's. For milk chocolate, Cadbury's ran a successful animal poster series promotion. Cadbury's is clearly cued into good consumer promotions.

DOMINATING SHARE

Competitors will have to move quickly here if they want to grab some share. With all this activity, Cadbury's continues to sit pretty here — with a dominating 70% of the total market.

Late last year, the Taj Group of Hotels made a surprise entry into the market with Taj chocolates. Priced between Rs 55 and Rs 200 and packaged attractively, these chocolates are ideally positioned as 'gift' products. Sabira Merchant, the TV hostess, has launched Giftique which is basically the Taj concept with variations or plusses like home delivery, embossing of logos on the packs etc.

Cadbury's has not lost sight of this 'gift market'. It has launched Temptations in triangular shaped packs. Temptations is priced lower than competition in this segment.

All this activity has taken shape in the past 10 years. There might not be new entrants coming in rapidly, but the existing level of competition is sure to provide enough battles ahead in this market.

■ *D. Shivakumar*

The author is a Bombay-based marketing executive.

BEATING A NEW TIME

Bifora, the Bangalore-based watch company, is emerging from hibernation. It had gone under after the arrival of Titan because many senior technicians trained abroad at Bifora's expense had deserted. Plus its watches had practically no market and there were problems of paying up its creditors including its advertising agency — Akshara.

In its second innings, it is going to avail of the services of MAA Communications instead. And there is to be no stinting on advertising expenses — the launch outlay is a whopping Rs 1 crore. The mechanical and quartz watches are expected to be in the market this October. But will the consumers bite this time? That will decide whether the company goes on tick or ticks along.

THE GREENING OF TEA

Contemporary marketing theories acknowledge the fact that the choice of colour has a major influence on the consumer's purchase decision. The Colgate vs. Babool fight, for instance, essentially centres around the use of the colour red.

An interesting tale can now be told of how colour preferences work in packaged tea. When the Apeejay group's diversification strategists were getting their act together for the launch of Flury's tea, their tentative choice fell on designing a red packet. The logic: bright red stands out prominently on grocers' display shelves.

Within weeks, though, this initial decision was annulled because trial test runs quickly showed that customers of packet teas associate red with economy and not premium value — no doubt an intangible fallout of Brooke Bond's clean sweep of the value-for-money segment with its mass-selling Red Label brand.

On the other hand, best-selling premium Darjeeling teas happen to be packaged in green: witness Lipton's Green Label and Brooke Bond's Gold Label. Apeejay's trials showed up a clear association between the colour green and quality perceptions (for tea) in the customer's mind. Accordingly, although Flury's tea is from Assam (and not Darjeeling) it is being packaged in green so as not to lose out on perceived value attachment.

As Apeejay chairman Surrendra Paul agrees, marketplace truths certainly need some learning.

HAWKING SPICES

It is a diversification which defies an appropriate adjective. Pressure Cooker & Appliances (otherwise known as the Hawkins hawkers) have launched a range of spices specifically for use in pressure cooking.

Nothing in the rich colour ads indicates what has tailored the product specifically for pressure cooking or conversely why it should not be used in a pan. The reasoning offered is merely that Hawkins, having had long experience in making pressure cookers, should be adept at churning up spices too.

That makes little sense and doesn't do much for credibility either. What Hawkins is basically offering is a characterless vegetable masala. It is not bothered about the individuality of each vegetable and the fact that different vegetable preparations need different blends of spices.

To round off an incomprehensible product package, Hawkins has not solicited independent opinions on the range. Instead the brand is being endorsed by the in-house cookery expert and a company employee.

The naivete of the advertisement appeals, but is that enough to command purchase?



THIRSTY FOR A MARKET



Voltas is playing safe in the new positioning of its Volfruit tetrapak soft drink range. Although the range has been umbrella-branded Volfruit, the creative strategy of each fruit juice is different.

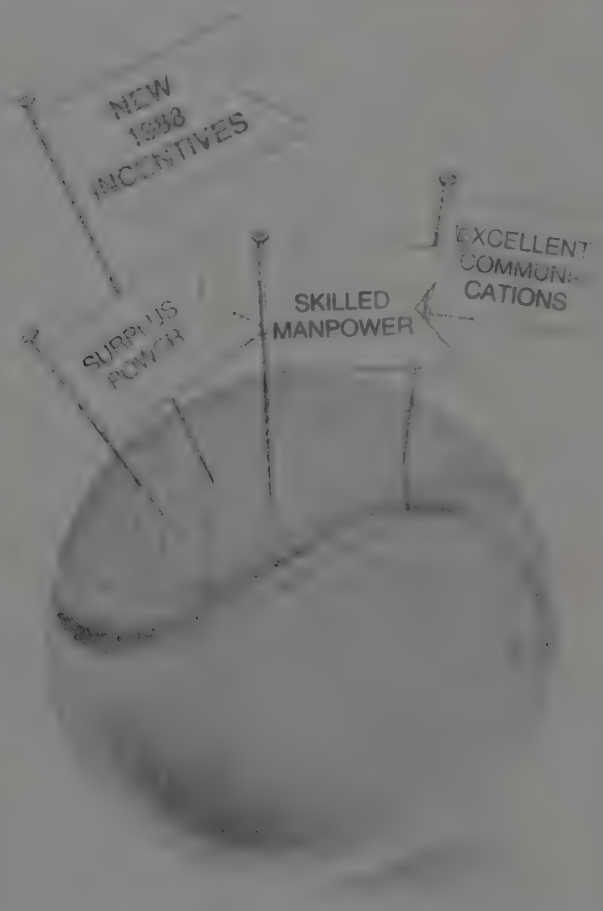
The orange juice has been placed on the very rational appeal of being an essential ingredient for breakfast. Its positioning: the ideal finishing touch for an ideal breakfast.

In stark contrast, the pineapple flavour, a new addition, has been positioned to appeal to the baser instinct. With no pretentions of goodness or diet balancing, the only reason for having a pineapple Volfruit is for the sheer joy of tasting pineapple.

With little goodness to recommend it, the drink will have to depend on advertising hype. The lack of the usual soft drink advertisement's fizzy clutter might appeal to sober sensibilities, but the refinement might cause the brand to be submerged in the noise of commercial advertising. Having to contend with the recurrent jingle of Lipton's Tree Top which is a very similar product having an identical range of flavours to boot, Volfruit is already a league behind in the race for consumer appeal. Voltas will have to step up the noise level of this re-entry if the marketing is to be successful.

NEW INCENTIVES | SURPLUS POWER | SKILLED MANPOWER | EXCELLENT COMMUNICATIONS

•THAT'S ADVANTAGE MAHARASHTRA•



WHEN YOU THINK OF INDUSTRIES

Set up your industry in Maharashtra. And avail of the new 1988 package of incentives. Super incentives you would have hardly imagined any State would give.

Extraordinary features:

Substantial increase in Sales Tax incentives and Special Capital Incentive. Incentive periods raised upto 10 years. Sales tax exemption/ deferral made available where expansion/diversification is undertaken with minimum Rs. one crore investment. Extra incentives provided for energy saving devices, pollution control measures and for local employment. For power intensive units, there will be refund of electricity duty. Resource-based industries get incentives on par with other industries. You get these incentives practically all over Maharashtra except Bombay/Pune and some nearby areas.

For details contact:
The General Manager – Business Development

SICOM

THE STATE INDUSTRIAL AND INVESTMENT CORPORATION OF MAHARASHTRA LIMITED
Nirmal, 1st floor, Nariman Point, Bombay-400 021.
Phone: 2023018, 2021855 Telex: 011-3066
FAX: (022) 2023008

SICOM

The ingredients for success

Besides, Maharashtra offers your industry everything it needs to thrive. Unrestricted power. Abundant water. A readymade communications network. Infrastructure complete with modern amenities in the Growth Centres. A ready market and most of all, an industrial culture that provides skilled productive labour.

SICOM – to top it all

Whatever the size of your unit – medium or large – you can depend on SICOM for plant location, technical guidance, finance and escort services. Everything you need to get your industry off to a flying start.

THE AFGHANISTAN AFFAIR

News from Afghanistan is at the moment focussed on the rebel bid to seize Jalalabad. For both the mujahideen and the Najibullah government it has become a prestige issue. Yet victory or defeat for either side offers no assurance of long-term stability. There is obviously an advantage for the party which is in physical control of the main cities but, given the conditions in Afghanistan, this can never be decisive.

We have, then, a situation in which there is every prospect of an interminable struggle to which there is no foreseeable end. Neither the US nor Pakistan can afford to have their Afghan protege suffer a humiliating eclipse; and much the same applies to the Soviet Union in its relations with Najibullah. Thus, there is, despite the Russian withdrawal, an inbuilt vested interest for all the parties involved in keeping the conflict going while simultaneously exploring the possibility of a "broad-based" government.

This explains the US initiative in appointing a special envoy to the mujahideen groups in a bypass operation which sidelines the US ambassador in Islamabad and Pakistan's Inter-Services Intelligence Directorate. This reflects a concern to ensure a more direct and restraining control of the rebel groups, and a more reliable pipeline of information than was possible via the Pakistan authorities. The move achieves a nice balance between stopping short both of recognising the mujahideen "government" and of breaking off ties with Kabul while giving notice to Pakistan that the bias of American policy is to bring the Afghan affair to a halt without appearing to abandon the rebels. There is in this nothing to justify the interpretation that it is a reinforcement of the US commitment or that it is a warning signal for the Russians.

On the contrary, ever since the Russian decision to withdraw, there has been, and continues to be, a large element of collusion between the Big Two. Neither wants its Afghan proxy to be quashed, and consequently there is on both sides a carefully calculated release of supplies to guard against a collapse of either the mujahideen or Kabul. But both also share an increasing interest in getting rid of the Afghan problem as quickly and inexpensively as possible. If this is confirmed, on the one hand, by the appointment of the US envoy who is accountable directly to Washington it is further confirmed, on the other, by parallel initiatives by the Soviet Union.

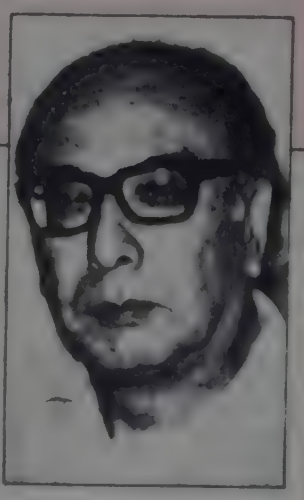
Russian warnings against outside interference are directed not against the US but against Pakistan whose interpretation of the Afghan issue still remains rooted in the past and is being muddled by differences between Benazir Bhutto and the military.

Meanwhile, Russian warnings apart, we have had the Yuri Vorontsov ploy of inviting New Delhi to take on a more active role in promoting a compromise among the warring Afghan factions. During the entire course of the Afghan crisis neither Washington nor Moscow nor Islamabad showed any inclination to recognise New Delhi's interest in, and concern over, the crisis in the subcontinent's backyard. The late President Zia, in fact, told New Delhi that it was none of its business, a view which neither the US nor the Soviet Union refuted at that time.

In contrast to this earlier indifference, the chief Soviet negotiator in his latest mission to Delhi spoke of the Afghan issue as a matter of legitimate concern for the world community, for the nonaligned movement and specifically for India, which was a "great country" that had a decisive role to play in resolving the crisis. The compliments were laid on thickly but, in effect, India was being bequeathed a mess which the Big Two are unable to clear up and cannot shake off completely.

In short, the big headache for the Big Two is that the Russian withdrawal has not enabled them to wash their hands off the affair as they had earlier hoped to do. Moscow has belatedly realised that military intervention is not a solution and is incompatible with glasnost and summitry with Washington. The US has realised on its part that, given a sympathetic world reaction to glasnost and the obligations of summitry, a policy of indefinite support for the rebels through Pakistan is no longer on the cards.

Despite the Russian withdrawal from Afghanistan, there is no solution in sight



Additionally it has a clearer grasp than before of the unsettling implications of a victory by the Afghan fundamentalists. And both have now begun to realise that proteges are apt to be intractable and will not dance according to how the strings are pulled.

The spirit of compromise is in the best of conditions relatively unknown in Afghan politics. When, as now, the Big Two are obliged to feed their proteges with supplies to enable them to keep their own end up pending a solution, it has little chance of modifying the intensities of Afghan psychology. The loss or gain, then, of territory or even of cities cannot be expected to bring this untidy story to an early end. Meanwhile, though flattered by the sudden attention it has received, what is New Delhi in a position to do? Its rather premature commitments with Kabul have deprived it of the mediatory credentials it might otherwise have had as the mujahideen have made clear in response to Indian feelers. Moreover, Saudi Arabia's prompt recognition of the mujahideen "government" in contrast to Washington's and even Pakistan's refusal, suggests that Afghanistan is now an issue in the larger Saudi-Iran rivalry in West Asia, with the PLO also as a factor to be reckoned with. The platitude that Afghanistan's future is for the Afghans themselves to decide is now much on the lips of everyone. But it is as far away from the truth as ever before.

■ *N.J. Nanporia*

The author is a former editor of The Statesman *and* The Times of India.

IN TUNE WITH THE TIMES.

THE WEEK



Open the new look Week and get in tune with the times... a slick cover; contemporary designing; superior quality paper; colour photographs; box insets and graphic illustrations.

The Week. It has always captured the events of the past seven days in a crisp, concise style— accurately gauging political undertones both national & international, closely monitoring the pulse of business & industry, keeping abreast of science & technology, providing a ringside view of sport events worldwide, tracking crime, besides bringing to light the latest developments on the art & entertainment front.

So to get an exclusive, in-depth view of the past seven days' events, grab the latest issue of The Week. Contact your nearest newsagent, today!

The Week was the <u>first</u> Indian magazine to do:

★ An interview with the terrorist Penta. ★ A cover story on the Gorkha problem. ★ An exclusive on the first Indian heart transplant. ★ A cover story on superconductivity.



NOBODY COVERS THE PAST SEVEN DAYS, THE WAY WE DO.

everest/89/TW/118

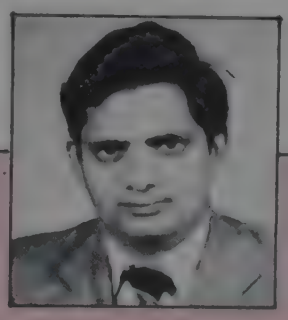
OF HIPS AND LIPS

The buzzword in consumer behaviour studies today is involvement. The concept has aroused the interest of both academics and practitioners. Instead of classifying products under the normal heads of industrial and consumer products, marketers seem to have invoked involvement as a criterion for categorising them. Thus, there are high involvement products (Hips) and low involvement products (Lips). And, in many instances, this new perspective of involvement is reported to have paid rich dividends to marketers. Consider these examples:

- Salt has suddenly attracted consumer attention with the introduction of iodized Tata salt. So much so, it has emerged as the only choice among salts, and may also acquire a generic name status — something that, so far, the legendary 'Dalda' has enjoyed in this country.
- The current TV campaign of Forhan's toothbrush cautions toothbrush users against treating it as a mere commodity. By introducing customers to possible risks in choosing the wrong sort of toothbrush, the marketer is advocating a higher involvement for the product.

These two examples underscore the challenges and concerns in marketing Lips. However, as the number of failures of products of this kind shows, the task is unenviable. The additional problem is that the theory of marketing Lips is still in its infancy.

The concept of involvement in buying and products is relatively recent. It was Herbert Krugman, a leading figure in contemporary consumer research, who first proposed it to characterise 'differences in the intensity of consumer interest in approaching and dealing with various marketing stimuli'.



To generate brand loyalty, marketers are beginning to adopt strategies that upgrade low involvement products (Lips) to high involvement products (Hips)

In general, involvement represents a state of energy and tension that a consumer experiences in a consumption decision. It has two vital components: personal relevance and perceived risk. The presence of either component in a product can succeed (or fail) in arousing energy and tension enough to make it a high (or low) involvement product. Personal relevance refers to consumers identification with a given product or buying act. Perceived risk refers to a recognition of risks — financial, performance, physical, psychological, social and time-loss risks and their attendant consequences — should a product or purchase turn out to be bad. The higher the amount of perceived risk, the greater the involvement with the buying decision.

Consumer involvement in a product is determined by the combined impact of the four Ps — product, position, promotion and personality (of the buyer). The key features of consumer involvement are:

First, it is inextricably linked to consumer values and the self-concept for a given product.

Secondly, it occurs within a specific buying occasion, context and episode. Thus, involvement for a product may vary from one buying situation to another and from one buying episode to another.

Thirdly, involvement is both rational (logic-based) and emotional (feelings-based). Thus, a product like a soft drink may be made a high involvement product if it succeeds in arousing a sufficient amount of (energy through) emotional feelings. This is despite the fact that it is a low priced item which can hardly be differentiated on tangible product attributes and that it evokes low risk in the event of a bad purchase.

Lastly, creative marketing communication and its acceptance by consumers is conducive to escalating product involvement. A blend of social and personal motives are enforced by a stimulating mix of buying-situations for a given product. All this can invest it with involvement and make consumers perceive it as a Hip.

Considering these characteristics of involvement, a marketer will, thus, focus on the degree and direction of involvement. While degree indicates the amount of energy and tension generated by such marketing stimuli as product and advertising, direction of involvement points to the course of action likely to be chosen by consumers in response to these marketing stimuli. By understanding product involvement and categorising products as Hips and Lips, a marketer acquires many useful clues to chalk out an effective marketing strategy.

Involvement is particularly significant in consumer information processing (CIP), consumer attitude formation (CAF), and consumer buying process (CBP).

The consumer's search for information once he has recognised a product need, follows a combination of two routes. These routes are external search and internal search. While external search is a purposive and deliberate pursuit for relevant product information, internal search indicates information retrieval from memory. In most Lip purchases, internal search scores over external search. The reverse is, however, true in case of Hip purchases. Unlike in external search, the consumer hardly notes the latest marketing messages provided through new product alternatives or benefits or both. A low involvement buyer is, thus, a passive information searcher.

Attitude formation is important because it decides how a consumer will choose a given product. Lips are often marked by an inexplicable consumer streak of 'let's try this product this time'. Thus there is little brand loyalty.

Involvement is crucial to the understanding of the

HOW SHRIRAM CAN BRING YOU MORE 'SHRI'.



Shri, denotes wealth, prosperity and well-being.

Shriram strives to bring into depositors' lives the tangible significance of 'Shri'. By taking tender care of depositors' funds, placing them in sound enterprises, spreading the risk widely, managing it economically. Most importantly, by subjecting the management to rigorous scrutiny by Board of Directors consisting of eminent professionals with impeccable record of public service.

The Board of Directors of the Shriram Group Companies include:

- **P.B. Sreenivasan** — Former Chairman & Managing Director, I.O.B. Madras.
- **S. Sankaranarayanan** — Former Executive Director & Secretary, Ashok Leyland Ltd. Madras.
- **C.P. Verghese** — Former General Manager, United India Insurance Co. Ltd. Ernakulam.
- **P. Vaidyanathan** — Investment & Finance Consultant, Integrated Enterprises, Kumbakonam.
- **G.V. Raman** — Partner, M/s. Gowrikanthan & Co. Auditors, Madras.
- **Lalit P. Mehta** — Former General Manager, New India Assurance Co. Ltd. Bombay

Performance Highlights :

SHRIRAM INVESTMENTS LTD.

	Dec. 1986	Dec. 1987	March* 1989
		(Rs. in lacs).	
1. Paid-up Capital & Reserves	41.26	102.93	250.00
2. Deposits	388.60	676.46	1575.00
3. Funds employed	514.47	1002.94	2370.00
4. Dividend	20%	21%	—

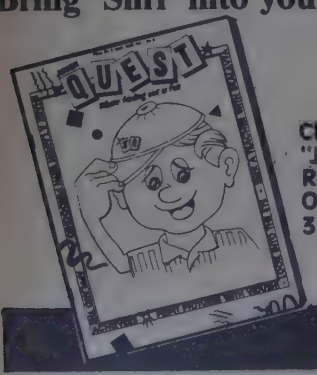
SHRIRAM TRANSPORT FINANCE CO. LTD.

	Sept. 1986	Sept. 1987	March* 1989
		(Rs. in lacs).	
1. Paid-up Capital & Reserves	41.00	62.18	163.88
2. Deposits	189.00	349.00	950.00
3. Funds employed	313.21	558.43	1328.88
4. Dividend	24%	25%	—

* Estimated

All this is fully backed by high quality, efficient service characterised by dedication and promptitude at all our 42 branches.

Bring 'Shri' into your life with Shriram.



Chandamama offers 12 FREE issues of "Junior Quest" to members of EITHER Shriram's RD Scheme — Rs.200 p.m. x 36 months = Rs.8,988 OR Cash Certificate — Rs.3,275 for 3 years = Rs.5,000. from May '89.

All India Deposit Mobilisation Campaign till 30.4.89.

SHRIRAM GROUP COMPANIES MADRAS

Shriram Investments Ltd.

Admn. Office : Mookambika Complex, III Floor, 4, Lady Desikachari Road, (Entrance: C.P. Ramaswamy Road), Mylapore, Madras - 4. Ph : 74960/77463/73768.

Shriram TRANSPORT FINANCE COMPANY LIMITED

Admn. Office : Mookambika Complex, 4, Lady Desikachari Road, Mylapore, Madras-4. Ph : 71983/74101.

AGRA: Block 32 F7, Sanjay Place • AHMEDABAD: B-14, I Floor, Capital Commercial Centre, Ashram Road, Ph: 76326 • BARODA: 57, I Floor, Shriram Chambers, Opp: Circuit House, R.C. Dutt Road • BOMBAY: Regional Office: 811, Tulsiani Chambers, 212, Nariman Point, Ph: 241113/2043997 • Branch Office: The South Indian Concerns Ltd. (Premises), 401, Telang Road, Matunga, Ph: 4379839. Office Timings: 9 a.m. to 1 p.m. 4 p.m. to 8 p.m. Monday Holiday. • CALCUTTA: 33, Raja Basanta Roy Road, (2nd Floor), Ph: 420115 • NEW DELHI: 401, Pratap Chambers (4th Floor), 2376, Gurudwara Road, Karol Bagh, Ph: 5729913 • INDORE: 307, Chetak Centre, 12/2, R.N.T. Marg • JAIPUR: B-83, Raman Marg, Tilak Nagar • KANPUR: 129, Regal Cinema Building, Mall Road • NAGPUR: 'Yamunayatan', 225-B, West High Court Road, Gokulpet, Ph: 33815 (P.P.) • PUNE: 402, White House (4th Floor), 1482, Tilak Road, Ph: 436752/434279.

Shriram : Managed by innovative professionals.

buying decision process. First, consumers may not be interested in learning about alternative brands and characteristics of low-involvement products. Secondly, and more ominously, consumers may make many choices of low involvement products without developing first a clear brand attitude.

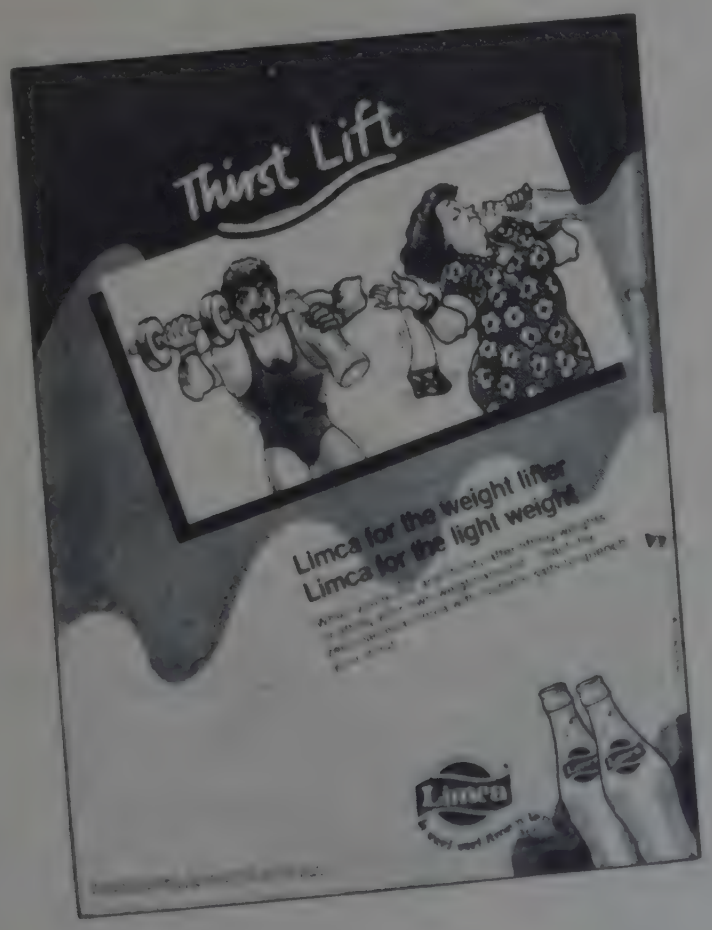
All this means that there are two major challenges in marketing Lips: frequent brand-switching and impulse buying. The marketer will have to tackle both of them with purpose-crafted responses for evolving an appropriate consumer attitude.

Changing consumer attitude to Lips is the main strategic route with multiple entry points. For instance, a marketer may consider linking Lips to an engaging and involving issue. Thus linking washing brightness to general smartness of children may move a detergent powder from an otherwise Lip item to a higher level of involvement for housewives.

A marketer can also make a product a high involvement one by tapping user personality. Thus a brand of an after-shave lotion can be developed into a modern and aggressive brand keeping in line with target buyers. Further, marketers may devise a communication message for Lips in a way that captures the attention of buyers and succeeds in engaging their involvement. The Limca campaign is a good example of this. It is also possible to remarshal consumer benefits to evoke an attitude change. Various spice manufacturers (Everest, Brooke Bond) have relied upon this entry point by successfully cashing in on consumer concerns for food adulteration. Finally, new benefits can be driven home to consumers for Lips. The Johnson & Johnson brands of pre-medicated strips — with new benefits of availability in different sizes and wash-proof quality — exemplify this entry point.

In all these cases, marketers endeavour to raise involvement level among consumers to a point where they are forced to form their attitude before buying a product, seek more external information and make a rational choice.





The second route, parallel to the first, aims at discouraging brand switching. The two ways this can be done is by ensuring the availability and visibility of Lips. Buyers are prone to brand-switching the moment their brands are unavailable in the outlet. Continuous visibility of these products in the outlet will ensure smooth memory recall and habitual pick-up at the point of purchase.

Some prerequisites of the second route need to be clarified. The first prerequisite is an effective media scheduling for message reinforcement of Lips. The second prerequisite is cooperation from dealers as most brand switching takes place at their instance. The third, and final, requisite is the effectiveness of point of purchase (Pop) publicity. What Pops can do to Lips is obvious from the success that Nirma, Maggi noodles and sauces and Tata tea, among many others, have had.

To sum up, Lip marketing calls for an understanding of the marketplace and consumer psychology. The magic lies in upgrading Lips into a higher echelon of involvement. The aim is to promote brand loyalty. After all, researchers continue to prove how less expensive it is to retain present customers than to recruit new customers all the time.

■ *Mohan Agrawal*

The author is on the faculty of XLRI, Jamshedpur

"Smooth, spatterfree weld, superfine bead, superb corrosion resistance under extremely severe conditions."



The best weld for stainless steels comes with

CHROMWELD

STAINLESS STEEL ELECTRODES

IOL's continuing R&D commitment yields a comprehensive range of stainless steel electrodes, the unbeatable Indarc CHROMWELD.

CHROMWELD provides optimum metallurgical properties and ferrite levels for all applications—be it for nuclear power stations, cryogenic vessels, fertilizer plants or chemical/petrochemical complexes.

CHROMWELD provides stick-to-stick quality assurance—with the most stringent and unfailing quality control at every stage of manufacture with absolutely moisture-proof packing, for fail-safe performance anytime, anywhere.

CHROMWELD is available countrywide at economical prices —from a network of IOL branches, depots and authorised dealers.

Approved by : BARC, RDSO, PDIL, EIL and NTPC

For complete details, write to

IOL Indian Oxygen Limited

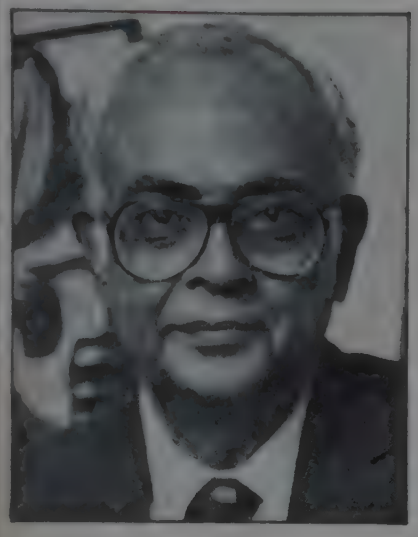
P43 Taratala Road, Calcutta 700 088
A member of The BOC Group

Don't just weld it— CHROMWELD it!

Indarc The trusted name in welding

CLARION C-IOXC-1

GIVING MANAGERS THEIR DUE



When the government decided to relax curbs on senior executive pay and perks, there was general satisfaction in corporate circles that the powers-that-be had realised at long last that unless corporate level managers were rewarded suitably, they would not be motivated to contribute their best. In fact, before the relaxation, several board-level managers had decided to step down from the board primarily because the legal limit of Rs 7,500 per month was not commensurate with their efforts. As non-board senior managers, they had no such restrictions and could draw a pay packet above Rs 7,500 per month and avail of other perquisites.

Immediately after the new norms were introduced, several companies applied and obtained the approval of the department of company affairs to pay Rs 15,000 per month, a profit-sharing commission of Rs 1 lakh and, of course, the permitted perks. However, all this adds up to an increase of only Rs 3 lakhs which compares poorly with the top managers' compensation levels in the US and Europe. This includes not only salary, but also stock options and other cash benefits and could be as high as $3 million.

ENORMOUS DIFFERENCE

One need not labour the point further. Even without applying the existing exchange rate (which does not fully reflect the relative purchasing power at different locations), there is an enormous difference between the managerial compensation levels in the West and in our country. This cannot be explained away on grounds of country or size of operations alone; the basic difference is in the beliefs and assumptions as to what a manager, especially at the top level, does to contribute to the growth and profitability of the managed company. In the eyes of Indian shareholders, as also the government's regulatory department, these managers are no more than a special category of employee-managers!

The counterparts of the Indian equityholders in the West, however, believe that no matter what the technology, marketing capability, financial structure or other assets and capabilities of the company may be, in the ultimate analysis it is the quality of the management — determined by the strategic and managerial capabilities of its corporate management — which determines corporate success.

While this may seem to be an overstatement, it is relevant to point out that owners of Indian family-managed businesses have shared this western belief for many years and paid their top managers amounts vastly higher than the provisions of the Companies Act. It is not unusual for a large family-managed business house to reward its high-performing president or chief executive as much as Rs 25 lakhs a year in addition to perks and benefits undreamt of in the corporate world. On top of this, many family-managed businesses set up *benami* outfits in the names of relatives of the senior managers. These produce materials, components, sub-assemblies, etc. which are supplied to the mother company.

The underlying philosophy is that as the business of the company grows, the senior manager has another substantial source of income which, at the same time, subserves the objective of developing a captive source of materials and components of the required quality (and with the assurance of availability and supply). It should also be mentioned that multinationals in India have arrangements for remunerating expatriate managers in India by paying them separate salaries and allowances in their home country.

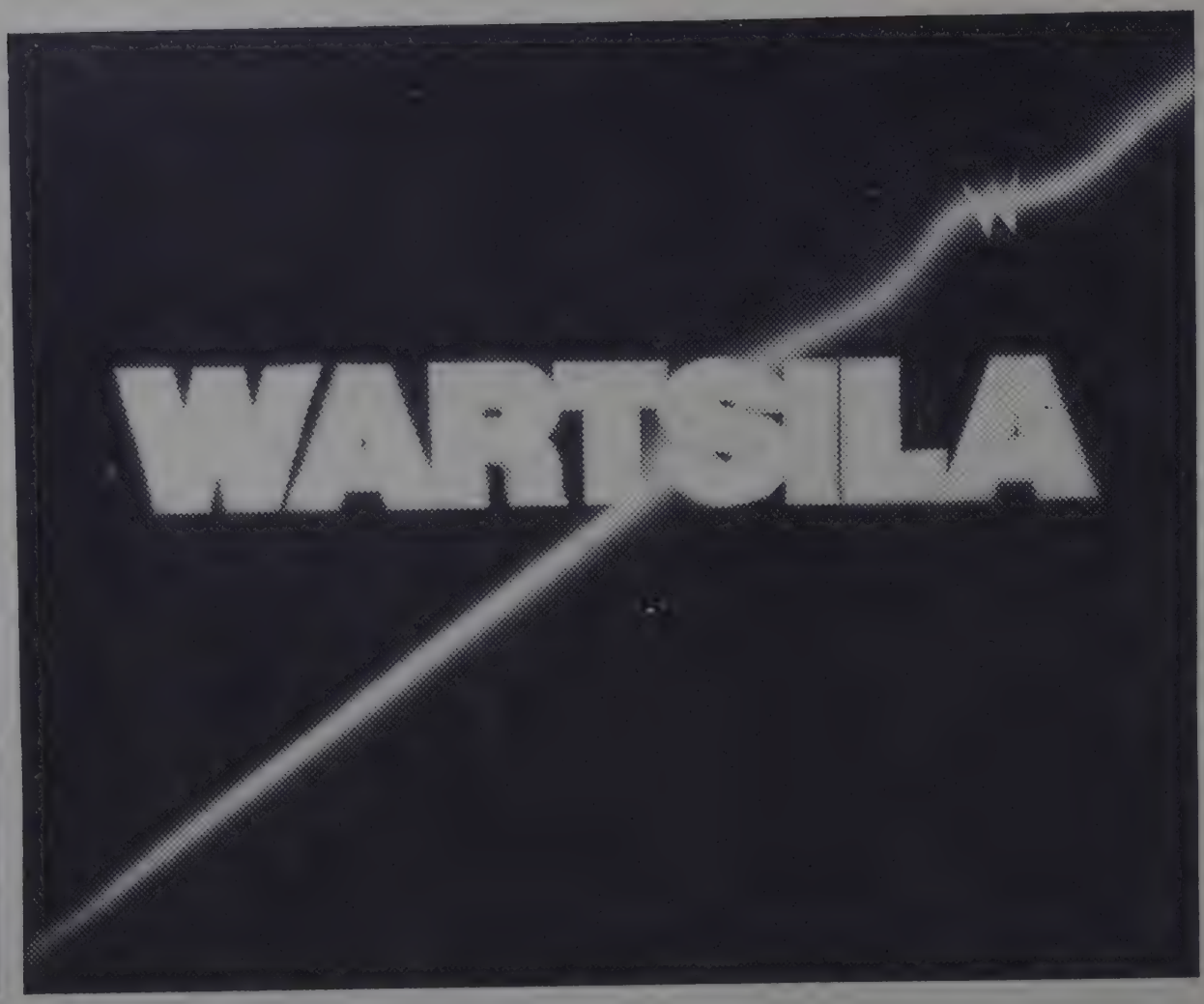
QUESTION OF ETHICS

All this might raise questions of ethics, morality and business practices. However, much of this debate has disappeared in the countries of the West because a "benefit-cost" based compensation level allows the shareholders to determine what is an appropriate compensation level for the top manager who generates the results and maximises the values of their equity. The net result is that there are no qualms about rewarding the manager so long as he subserves the current objective of profitability and long-term interest of business growth of the equity-holders.

It has been contended that an unbridled relaxation of managerial compensation levels, without checks and balances exercised by an appropriate governmental agency, would upset the applecart of the compensation structure prevalent elsewhere, e.g. in government, non-business ventures, etc. But two questions can be raised. The first is: what prevents the government from better rewarding its best civil servants as they take decisions much more complex (than what many managers do) and manage relationships with political and external systems which are much more convoluted than customer or supplier relationships? In any case, the enormity of many of their tasks, the complexity of decision-making and the requirements of administrative process are such that the country will most probably be better off by paying the civil servants (and possibly the ministers who make the final

If the concept of stock options as part of managerial pay is introduced, managers will be spurred to improve their company's performance as their remuneration will depend on it

One investment that can easily power itself to success:



There are many ways to invest in a company. Numerous Indian companies have already invested in WARTSILA, even before the Indian operation was announced. This they did by selecting Wartsila Diesel Power Generating Systems as their assurance of a dependable captive power supply. It is this dependability that ensures a market for Wartsila Diesel Power Generating Sytems. It is this dependability that makes Wartsila Diesel India Limited a good proposition for the small investor, too.

Oy Wartsila Ab of Finland is a trusted name in diesel engines all over the world, for a variety of applications—marine and stationary. An acknowledged leader in the field of heavy duty medium speed engines. WARTSILA now brings to India the much needed technology to manufacture large capacity power generation systems. These systems, hitherto imported, will now be manufactured indigenously by Wartsila Diesel India Limited.

Wartsila Diesel Power Generating Systems bring to India a totally new dimension in power supply. They will meet the critical needs of process and large industries, where dependable power supply is imperative. While vastly improving the performance and profitability of such industries, they will also reward happy investors with handsome returns.

WARTSILA POWER POINTS

- Promoted by Oy Wartsila Ab, Finland, Finnfund, Shapoorji Pallonji & Co. Pvt. Ltd. and Banaras House Ltd.
- Technical and Financial Collaboration with Oy Wartsila Ab, Finland—one of the world's leading manufacturers of medium speed diesel engines
- 40% Equity participation by OY WARTSILA AB and FINNFUND
- State-of-the-art fuel efficient technology for the first time in India
- Much-needed import substitution
- Assured Market—extensive usage by the core sector industries
- Commercial Production to commence in October, 1989
- Firm allotment of Rs. 1 crore to UTI
- 80 CC and other Income Tax and Wealth Tax benefits
- Listing on Delhi and Bombay Stock Exchanges

Managers to the Issue

The Industrial Credit and Investment Corporation of India Limited
Merchant Banking Division
163, Backbay Reclamation
Bombay 400 020

Industrial Finance Corporation of India
Merchant Banking Division
Earnest House, Nariman Point
Bombay 400 021

Issue of 40,00,000 Equity Shares of Rs. 10 each for cash at par

ISSUE OPENS ON 9TH MAY, 1989

WARTSILA POWER TO PROFIT

WARTSILA DIESEL

India Ltd.

Regd Office: 1109, New Delhi House, 27, Barakhamba Road, New Delhi 110 001.
Head Office: New India Centre, 11th Floor, 17, Cooperage Road, Bombay 400 039.

CLEA

decision) much larger amounts because they are insignificant in relation to the enormously wasteful expenditure the country incurs in maintaining its huge octopus-like administrative setup.

The UK, Europe and countries of South-east Asia pay their civil servants many more times than our civil servants are paid. But the size of their civil service is quite small. Malaysia has an unwritten administrative rule that the civil servant heading a ministry should not receive a compensation package lower than the executive chairman of a multinational firm operating in the country. It is, therefore, quite a surprise to Indians when they hear of civil servants abroad driving a Mercedes, living in a villa and enjoying a luxurious lifestyle. One tends to forget that they contribute their best efforts in managing the affairs of their governments (and in the process, more than earn their keep!).

The answer that is often evoked by this question is that this is all right for Malaysia but it would not be so here as it would upset the governmental salary structure. But this does not respond to the question as to what prevents India from substantially reducing the unnecessary involvement of the government in matters which are really the prerogative of the individual citizen.

The second question that can be raised in this context is: how are civil servants better qualified than shareholders and others concerned to assess the viability and financial soundness of the company and to determine the fair and appropriate compensation structure for a top manager? The answer often provided is that this consideration is irrelevant as one can always formulate a general principle in this regard e.g. a maximum salary plus profit sharing commission.

Compared to western standards, Indian managers at the board level are very poorly paid. It is necessary that the government remove the ceiling on their remuneration and allow companies to pay a more reasonable amount

If one mentally accepts that the corporate management team, by its strategic and managerial leadership determines — in a free market environment — what levels of success the company will attain, one should be able to relate the compensation level of all such managers by linking it with returns on equity. In other words, it would mean that if they were to participate in the fruits of their effort, they must do so along with the equityholders by way of dividend or capital gains. This is ensured by introducing the concept of stock options as a component of managerial compensation.

This option, so widely prevalent in the US and Europe, basically relates to giving an option to a senior manager to buy equity in the company — within a given period, say during the next five to 10 years — at a price determined at the time of the granting of such stock options. If the company does very well and the stock prices go up, the manager concerned can buy the equity at the earlier predetermined price. If he so wishes, he can sell the stock off and realise huge gains.

The point to be noted is that this is achieved not by the company paying the incremental cash amount but the capital market paying a price much higher than its par value because of the success achieved in terms of return on investment, profitability and growth. While there are regulatory requirements such as disclosure of stock options (and the terms associated with such options), it is not sought to be curbed by any legal or administrative provisions. It is assumed that the shareholders are the best judges and disclosure will curb any unhealthy practices.

Stock option gains of $2 million or above in some cases have come in for criticism. Questions have been raised as to whether the quantum of reward is in line with the individual effort. Such questions indeed need to be asked — and are appropriate and relevant in an open market corporate democracy. But so long as the shareholders, financial institutions, banks, investment bankers, etc: accept such payments as reasonable, the required checks and balances are provided. What is also interesting, the moment stock prices fall because of poor managerial performance, the stock options become worthless!

Two provisions in the Companies Act which substantially restrict the award of future stock options to managers — and their financing — have ensured that this mode of managerial remuneration is not available to Indian companies. Half-hearted attempts have been made by the government by reserving a part of new capital issues on rights basis to employees, but such reservation is nowhere near the concept of stock options where no current investments are required. While one does not wish to emulate the materialistic system of the West blindly, one must ask whether it is beyond the ingenuity of Indian management specialists, administrators and lawyers to devise instruments and compensation systems whereby the basic principle of stock option is retained while curbing possible excesses. The answer must be an unqualified yes. Imagine for the moment if such a stock option facility was available in the public sector. The performance would surely be different.

The second item which is clearly a candidate for corporate law reform is the Rs 15,000 per month ceiling. It needs to be raised to a much higher level, possibly Rs 1 lakh or above. The ceilings should relate not only to the size of the company but also to such indicators as stock prices and, on a weighted average basis, growth, market share, return on investment, shareholder payouts and bonus issue track records. Only then would one be able to really judge whether a manager gets what he deserves!

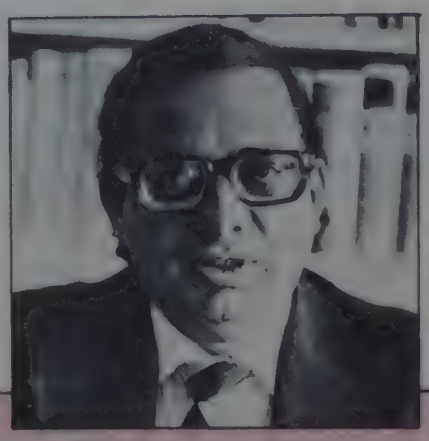
The failure to introduce these reforms will only mean a continuation of the under-the-table payment syndrome. And in the process, ethical standards, which have already gone to the dogs, will stay there.

■ *S.K. Bhattacharyya*

The author is a Bombay-based management consultant

DEPRECIATION CLAIMS

While in accountancy, depreciation is a normal charge on the profits of a business, under s.34 of the Income Tax Act, 1961, an assessee has to furnish the prescribed particulars of the assets if he chooses to claim depreciation on them. Courts have held that an assessee is free not to claim depreciation without furnishing the prescribed particulars.



If an assessee chooses, before the assessment is made, not to claim a deduction for depreciation, the income tax officer is not justified in imposing such a deduction

In a recent case, the Bombay high court went further. It held that even if depreciation has been claimed in the return of income, and the assessee changes his mind before the assessment is completed, he is entitled to withdraw the claim. This was decided in the case of *C.I.T. v. Shri Someshwar Sahakari Sakhar Karkhana Ltd.* ((1989) 43 Taxman 76). The case related to the assessment year 1969-70, relevant to the previous year ended 30 June 1968.

The assessee filed a return claiming depreciation. It then filed a revised return and enclosed with a covering letter, which stated that the original depreciation claim was being withdrawn and no depreciation was claimed.

The income tax officer (ITO) maintained that if the assessee failed to furnish the particulars required by s.34 of the Act, two courses were open to him: he could refuse to allow depreciation or he could make his own valuation of the assets and determine the amount of the allowance. The ITO followed the latter course and allowed depreciation.

The assessee appealed to the appellate assistant commissioner. The revenue department carried the matter to the tribunal which held that unless the assessee gave the prescribed particulars required by s.34(1), the ITO could not allow depreciation. It also claimed that only the revised return of the assessee could be considered, and not the original return.

On a reference, the Bombay high court held that two important issues arose. The first, and broader issue, was whether the assessee had a choice in the matter of claiming a deduction for depreciation. The second issue was whether, having claimed it in an original return, the ITO was entitled to rely upon the particulars furnished and allow a deduction on account of depreciation regardless of the fact that the assessee had stated in the revised return that it did not want it.

According to the court, the word "allow" is defined by the *Shorter Oxford English Dictionary (Third Edition)* to mean, *inter alia*, "to accept as satisfactory"; "to accept as true or valid"; "to admit"; "to concede, permit". The word "allowance" is defined, *inter alia*, as "the action of allowing; a thing allowed".

The use of the words "allowed" and "allowance" in the provisions would appear to contemplate a claim or application by the assessee for the deduction. The claim or application could be allowed and the allowance given.

In the absence of a claim or application by the assessee, the assessing authorities would not be "allowing" a deduction. The provisions of tax law, therefore, suggest that the assessee has the choice of seeking or not seeking the allowance of the deduction.

The words in this behalf in the provisions cannot be wished away and it is no answer to say, as the counsel for the revenue department did in the instant case, that s.10(1) of the 1922 Act and s.29 of the 1961 Act oblige the ITO to compute an assessee's business income in accordance with the provisions contained therein and thereafter respectively.

These words occur in the provisions of s.10 of the 1922 Act and s.34 of the 1961 Act and should be given a meaning. For the purpose of computing an assessee's business income under these acts, the ITO can allow the deduction by way of depreciation provided and only if the prescribed particulars in this regard have been given to him.

The provisions prescribe two pre-conditions to the allowance of a deduction for depreciation. The first, which is implicit, is that the assessee should have asked for it. The second, which is explicit, is that the prescribed particulars should have been furnished. If either of these is not fulfilled, the deduction cannot be allowed.

The Bombay high court referred to a judgment of the Punjab and Haryana high court in *Beco Engg. Co. Ltd. v. C.I.T.* (148 I.T.R. 478). In this case, the assessee claimed depreciation in its original return. Later, it filed a revised return in which it withdrew the claim. The ITO took the view that it was statutorily binding upon him to compute the total income, which must take into consideration the deduction of depreciation allowance.

The appellate assistant commissioner and the tribunal concurred with the ITO's view. The judges referred to a circular of the Central Board of Revenue (No.29-D (XIX-14) of 1965, dated 31-8-1965) which said that "where the required particulars have not been furnished by the assessee and no claim for depreciation has been made in the return, the ITO should estimate the income without allowing depreciation allowance".

The judges observed that it was evident from the circular that if the assessee had not claimed depreciation allowance, he could not be granted the same by the ITO. In regard to the revised return, the judges said that the original return could not be adverted to.

The court concluded that the assessee has a choice to claim or not to claim a deduction account of depreciation. If he chooses not to claim it, the ITO is not entitled to allow a deduction.

■ *H.P. Ranina*

The author is a Bombay-based advocate.

SEEDY BUSINESS

It was, perhaps, a coincidence. Early in September last year, the World Bank provided $150 million to the Indian seed industry. Barely a fortnight later, the government let the winds of liberalisation sweep through its agricultural outlook. It announced a 'new policy on seed development', in which the private sector — including international seed companies — could play a far more active role.

The changes, sudden though they seemed, did not mushroom overnight. They had been germinating for years — both within the government as well as in the corporate sector. In 1987, the production of high-yielding varieties (HYVs) of seeds as well as hybrid seeds was placed in appendix I of the Industries (Development and Regulation) Act, 1956. This made it possible for MRTP and Fera companies to invest in seed production.

The involvement of the private sector in seeds, however, predates even that. During the sixties and seventies, some companies began working in tandem with the National Seeds Corporation and various state seeds corporations to meet the needs of the Indian farmer. Other companies had also begun to conduct research into crops such as jowar and bajra. But it was the new seed policy that brought the corporate sector's role into sharper focus. Suddenly, it appeared, seeds was *the* business to be in. Says Dinesh Balsaver, vice-president, marketing, of National Organic Chemical Industries Ltd. (Nocil): "We are at the threshold of another green revolution."



CROSSING WHEAT IN THE FIELD

THREE-PRONGED THRUST

Industry's thrust into the seeds business has been three-pronged. First, companies which are already into agrochemicals — and so have rural marketing setups and dealer networks — are now logically extending their activities into seeds. This section includes companies such as:

■ **Sandoz India Ltd.** This Indian subsidiary of the Swiss chemical giant has tied up with Northrup-King of the US and Zaadunie (Sluis & Groot), Holland for the production of special seeds on Indian farms. Both Northrup-King and Zaadunie are owned by Sandoz, Switzerland.

■ **Hoechst India Ltd.** Part of Vijay Mallya's UB Group, Hoechst has struck a deal with Nunhems, Holland, an associate of Hoechst, Germany. Nunhems will provide Hoechst with hybrid tomato seeds for production and re-export to Holland.

■ **Nocil.** This Arvind Mafatlal group company already markets pesticides, and has now branched out into seeds. At present, Nocil uses seeds imported from Nickersons, UK — a Shell group company — for development. But talks are on with other international seed companies as well.

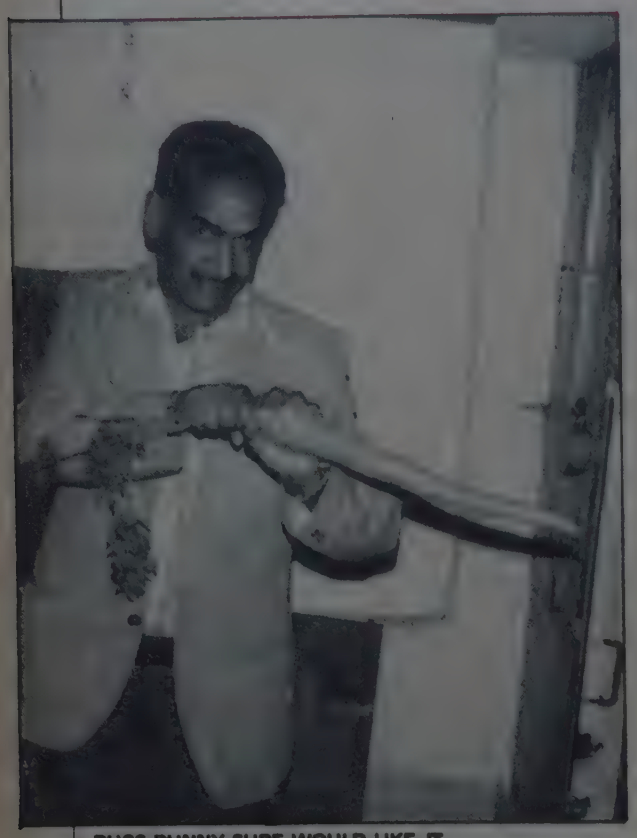
The second category consists of companies which already have a base in the seeds business. For them, the new seeds policy provides an opportunity to deepen their penetration into the market. While some of them have already found partners abroad, others are still looking around. Among them are:

■ **Mahyco** (Maharashtra Hybrid Seeds Co. Ltd.). This Jalna-based company has been in the business since 1964 and is one of the oldest in the field. With turnover targeted to hit Rs 50 crores in 1989-90, it is also the biggest player in the private sector. Managing director B.R.Barwale declines to disclose whether a collaboration is on the way. However, he is keeping his options wide open. "The Indian farmer has the right to have anything that is good, anywhere in the world," is his intriguing comment.

Seeds are getting to be big business. That's why the top seeds of big business are vying with one another to get into the game

■ **ITC Agrotech**, a division of the cigarette colossus, is joining hands with Continental Grains of Australia. The Agrotech group, which has been in the seeds business for about 50 years, will benefit from ITC's proposal to set up a unit to manufacture and process hybrid seeds at Kurnool, Andhra Pradesh. Other units are also planned in Uttar Pradesh, Karnataka, Maharashtra and Gujarat.

■ **Hindustan Lever Ltd.** (HLL) has been in the game since 1983. Although its annual turnover from this business is still a modest Rs 6-7 crores, there are ambitious plans for the future. "The market is very large. The results will come," says P.M. Sinha, vice-president (corporate affairs and agro products). The com



BUGS BUNNY SURE WOULD LIKE IT

pany is reportedly negotiating with a Belgian firm, but nothing has been finalised yet.

The third category of hopefuls consists of international seed companies that are tying up with smaller Indian firms in an effort to gain access to the Indian marketplace. The most significant of these is the US giant Cargill, which set up an Indian subsidiary last June. Among the others in this category are Dahlgren & Co. (also of the US), which has tied up with the Jalna-based Nath Seeds, and Bezo Zadan of Holland, which has entered into a collaboration with Bejo Sheetal Seeds.

But that's not all. Other notables of Indian industry are also eagerly waiting in the wings, trying to determine the lay of the land. The list of prospective players includes ICI, the Thapar group and the J.K. Singhania group.

If so many corporate big daddies are eager to set their hands to the plough, it is because they realise the field is astonishingly fertile. The market, even at a conservative estimate, is around Rs 300 crores, and is growing at an annual rate of between 15%-25%. "In certain segments, such as vegetables, the market is growing at an even faster rate — say 50%," observes Kannan K. Unni, director of Hoechst's Agrovet division.

What accounts for this rapid rate of market expansion? The chief underlying cause is the emergence of the Indian farmer as a canny and cost-conscious individual. As agriculture emerges from the coils of moribund feudalism, increasing numbers of farmers are beginning to switch over to modern production techniques, which include the use of HYV and hybrid seeds. The followers of Sharad Joshi and Mahendra Singh Tikait, who fight for lowering water and electricity rates, not only want to lower production costs, but also to maximise farm productivity. Result: they prefer seeds that maximise yield, even if they cost a little more than the traditional varieties.

BOOMING MARKET

Consider, for example, the humble tomato. The conventional tomato seed costs around Rs 200 a kg, and yields 10-12 tonnes per acre. Modern hybrid seeds cost more — around Rs 10,000 a kg. But plant them, and yield shoots up four-fold to over 40 tonnes per acre. As more and more farmers work out the arithmetic, demand for hybrid seeds swells. "The market is booming," enthuses B.K. Mehta, head of Nocil's seeds business. "We are all trying our utmost to meet this demand."

In the past, the farmer had little choice: he took what the market offered, and sowed it — for better or for worse. But as more and more companies join the race for the villages, the deepest hinterlands are being drawn into the market's ambit. "Aggressive marketing by companies has released some untapped demand," observes Barwale of Mahyco.

To complete the picture, add one more factor: the government's anxiety to raise agricultural productivity. Although India has achieved near self-sufficiency in the production of foodgrain, agricultural productivity is still nowhere near international levels. In coarse cereals, pulses and oilseeds, much more needs to be done. In oilseeds, demand greatly outstrips supply and the shortfall is met by imports year after year. The government obviously believes that by permitting the import of hybrid and HYV seeds, there would be no need to import the oil itself. This perception lies at the heart of the new seed policy.

But the policy alone, as it stands, is unlikely to work instant wonders. For one thing, most of the companies that have entered the fray are still in the process of learning the ropes. "It's all still a wait-and-watch situation," comments an executive of an agrochemical company. "This is a very risky business. If your delivery truck reaches its location a day late, you may not be able to sell your seeds till next year," he adds. "It is a logistics-based business," confirms Sinha of Hindustan Lever. In other words, only companies that are exceptionally fast on their feet may survive the rush of initial enthusiasm. Comments Barwale of Mahyco: "We shall know the impact only after two years."

The new seed policy is unlikely to work instant wonders as most companies are still learning the ropes of the seeds business. Only those fast on their feet will survive the stampede

OBJECTIONS RAISED

There are other hassles as well. For though the seeds business is undoubtedly a fertile field, it is also deeply furrowed with controversy. No sooner had the new policy been announced — and more or less uniformly been praised as a 'welcome one' — than the objections began. These came from three quarters: the corporate sector, the scientific community and the environmentalists. Each had its own logic and argument, leading to different, sometimes conflicting, conclusions.

The corporate sector's greatest grouse was — and continues to be — a clause that stipulates that the seeds of coarse cereals, oilseeds and pulses can be imported for only two years by an Indian company from its foreign collaborator. At the end of that period, the foreign company has to transfer the parent strains of the imported seeds to the Indian company. More, a small quantity of the 'parent' seeds must be deposited with the government's gene bank, the National Bureau of Plant Genetic Resources (NBPGR). "This provision was included to bring about self-sufficiency over time," explains K. Rajan, the Maharashtra government's agriculture secretary.

Even so, this clause has made industry see red. Not without reason. For a breeder who develops a hybrid/HYV seed after years of experiment and investment, the parent seeds constitute a trade secret, the key to the technology. "No company or breeder worth the name will give the technology," warns Sinha of Levers. "The government has no right to ask for it," he adds. Agrees Balsaver of Nocil (quoted earlier): "This amounts to handing over years of research to the government." Barwale of Mahyco, however, sounds a different note: "There is no harm in depositing (parent seeds) with the national authority (NBPGR) if there is legal protection." He hastens to add, however, that "it is very unfair that plant breeders' rights are not protected. If you design a new kind of bottle, you can get a patent. But if you work for 10 years to develop a new seed, you have no protection."

Plant breeders' rights (PBR) and plant variety protection (PVP) are the agricultural equivalents of patents. The concepts first arose in the early sixties, when the International Convention for the Protection of New Varieties of Plants came into existence. "PBR and PVP", writes Pat Roy Mooney in his *Seeds of the Earth*, "made it possible for private breeders to receive royalty payments on newly developed varieties, and to control the spread of their patented varieties... Much more important than royalty payments, patents offer private enterprise an opportunity to govern the market." Critics of such patents maintain that they are used by giant seed companies to control the supply of seeds — often de-

The government has no right to ask for ('parent' seed samples). No company or breeder will give the technology

P.M. Sinha

vice-president (corporate affairs and agro products), Hindustan Lever

OF SEEDS & NEEDS

Why should a farmer buy seeds? Can't he grow them himself? Yes and no. A farmer who grows barley has no problem getting his seeds. This is because barley is what is called a self-pollinating crop. This means a part of the harvest can be kept back for sowing next year. This year's child becomes next year's parent, and the cycle continues.

For centuries, farmers grew their crops in this simple fashion. Over time, through a process of natural selection, they developed grain varieties with particular characteristics. The result was a phenomenal range of crop varieties. This diversity helped the farmer, because it meant that even if disease or pests ravaged some varieties, others would survive. This variability of nature ensured its — and human — survival.

Most of this genetic diversity is found in a relatively small area of the Earth's surface, known as the Vavilov centres. (They were named after a Soviet botanist well-known during the twenties.) These regions are located, without exception, in what we today know as the developing world.

As science developed — and populations grew — methods had to be found to increase the yield of crops. Plant breeders discovered that the productivity of crops could be increased by crossing two or more genetically different lines. This phenomenon is called hybrid vigour.

Hybrids have a limitation. According to Mendel's law, as the hybrid is the offspring of two parents, it combines the characteristics of both. If it is planted, its offspring will no longer have the same characteristics as itself. Instead, some will have the characteristics of one parent, others of the second. In other words, hybrids do not replicate themselves in each generation, as self-pollinating varieties do.

Dependence on suppliers. Thus, if a farmer plants hybrid jowar in one year, next year he must obtain fresh seeds in order to get the same harvest. This means he must return year after year to the seed supplier. Unless he knows the parent strains, he cannot grow his own seed. That is why seed companies treat the parent lines of their hybrids as highly classified material.



WHAT WILL BE HIS LOT NOW?

The world's dominant seed companies today belong to the developed countries. They have worldwide marketing organisations and their markets include the 'centres of genetic diversity' in the developing world. As they persuade farmers to switch to hybrid crops, genetic diversity gets increasingly replaced by genetic uniformity. According to an estimate by the Indian Agricultural Research Institute, half-a-century ago, India grew 30,000 varieties of rice. By the end of this century, this number will have come down to 50, it predicts.

Environmentalists blame the emphasis on hybrids and high-yielding varieties for this trend. They argue that the world's genetic resources are being endangered by a small number of industrial states and transnational corporations. The latter retort that without big jumps in crop yields, there is no way to eliminate hunger. And big jumps can only come from hybrids and HYV seeds.

The truth, as usual, may lie somewhere in between.



HE WILL GET DEPENDENT ON SEED COMPANIES

veloped from germplasm obtained from the developing world — to the developing countries.

LAWS MISSING

India has no laws on PBR and PVP. This is seen by the corporate sector as a serious lacuna at a time when several companies want to protect their seed varieties and hybrids against piracy. In the absence of any alternative patents, criminal and trademark laws are used to prevent violations. But pressure to introduce more stringent laws has already begun.

In mid-March, a seminar on plant breeders' rights was held in New Delhi, where the need for protecting these rights was emphasised. Simultaneously, the agriculture section of the Associated Chambers of Commerce & Industry (Assocham) and the Seeds Association of India have begun to organise meetings with the government, urging it to withdraw the clause about supplying the 'parent' seeds in two years. So far, no agreement has been reached, but industry spokesmen seem confident that the government will climb down. A likely compromise is that the government may allow foreign companies to keep their parent seeds for five years (as against the two years proposed originally), thus giving them a chance to recover their investment.

If the criticisms of the corporate sector centre mainly around the restrictive nature of the policy, the scientific community objects to it for the opposite reason: over-liberalism. Several reports have emphasised scientists' unhappiness with the policy on the grounds that since the doors have been opened to imported seeds, indigenous research will now take a back seat. Some executives of multinational corporations maintain that this won't matter and ask a pointed question: what have the government's researchers achieved over the years anyway? "They are a frustrated bunch," says one of them. Sour grapes, seems to be the verdict.

Matters may not be so simple. The scientists have raised three objections. First, they question the government's belief that the import of hybrids and HYVs will increase agricultural productivity. Agricultural productivity, they argue, is not just a question of replacing one kind of seed with another. Factors such as irrigation, land fertility, etc. also play a major role. In the absence of a major initiative to upgrade the agricultural infrastructure, farm productivity cannot be increased by merely liberalising seed supply, they claim.

Secondly, there is the issue of importing unknown pests and diseases with the seeds. Several such cases have occurred in the past. Wheat imported under the PL 480 programmes in the sixties spread the parthenium weed — more notoriously known as Congress grass — across the countryside. Jowar crops are still plagued by downy mildew, tomato by the spotted wilt virus, groundnuts by the peanut stripes virus, and so on. Most of these blights have been the result of indiscriminate imports, scientists believe.

QUARANTINE FACILITIES

The corporate sector pooh-poohs these fears. Says Sinha of Levers: "The quarantine procedures are being developed, and they are quite adequate." Balsaver and Mehta of Nocil share his view. The new policy prescribes the setting of quarantine facilities at the Bombay, New Delhi, Madras, Calcutta and Amritsar airports, and at the Bombay, Calcutta and Madras sea ports. Moreover, a national plant quarantine advisory committee is being set up to advise the plant protection adviser (PPA) on "various technical matters," the seed policy document says.

The scientists say this is not enough. They point out that for seeds of coarse cereals, pulses, oilseeds, vegetables and flowers, there will be no post-entry quarantine. They also claim that trials conducted for one season are not enough to indicate whether the hybrids are truly free of pests or disease infestation. They cannot even prove the superiority of the hybrid. Retorts an executive of an agrochemical company: "Why should such objections be raised? If the seeds are no good, the markets will throw them out. If they are, the farmers will come to us every year."

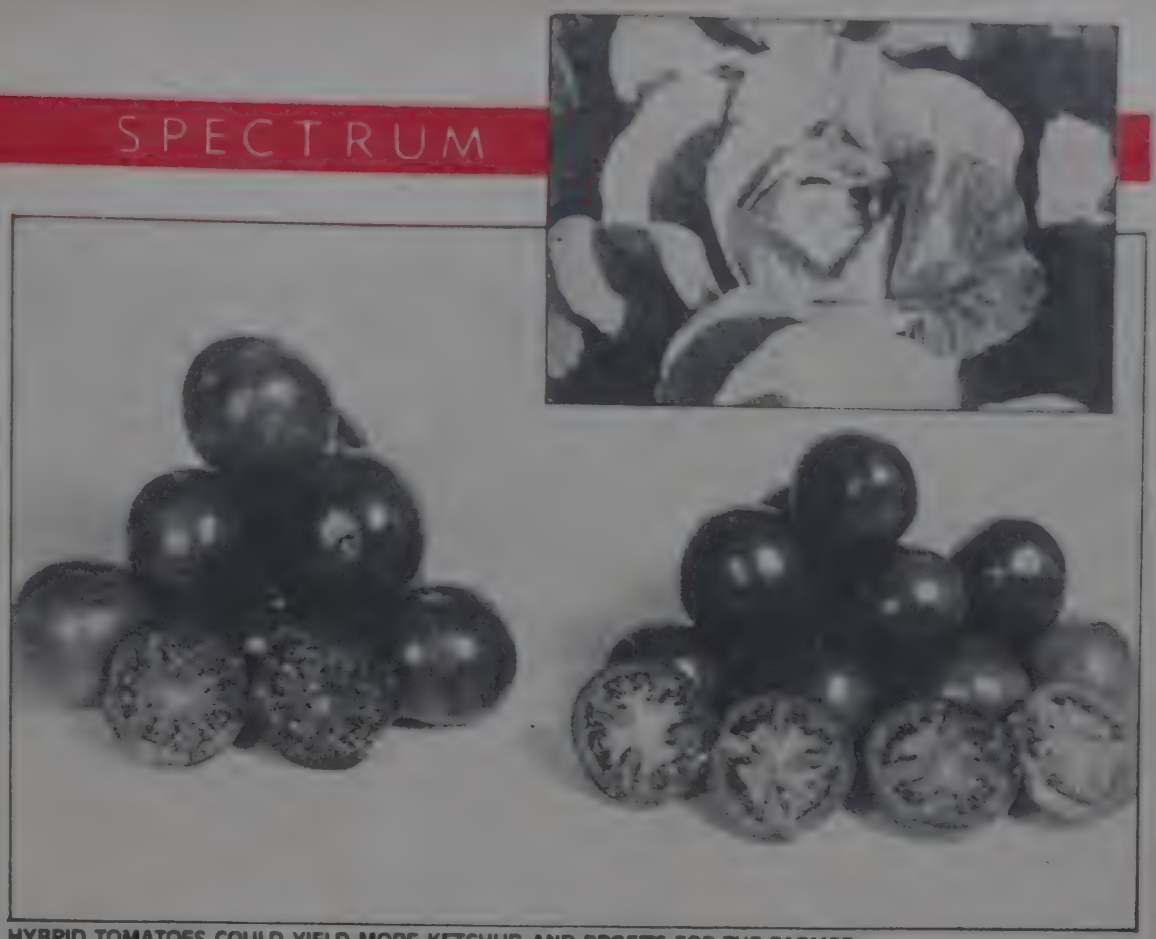
That is exactly what environmen-

CROP PROTECTION RESEARCH AT A FOREIGN AGROCHEMICAL FIRM



talists fear. The very fact — that farmers will have to return to the seed-providing companies year after year — has environmentalists up in arms. This is because most of the seeds the corporate sector will hawk will probably be hybrids, which will erode genetic diversity and increase vulnerability to pests and diseases (see box).

One more fear of the environmentalists stems from the fact that so many agrochemical companies are entering the seeds business. The fact that Sandoz, Hoechst, Nocil and such companies are sprouting seed ventures reflects an international trend: that of giant agrochemical firms buying seed producing outfits. Says a letter written in 1978 by a market research firm which produced *The Global Seed Study*: "In the last 10 years, at least 30 seed companies ... have been acquired by large non-seed multinational corporate enterprises." For instance, Ciba-Geigy bought Funk Seeds International and Stewart Seeds, Sandoz bought Northrup-King in the US and so on. According to Mooney (quoted earlier), this is because "acquisitions in the seed industry offers profit protection to agrochemical firms. If farmers use less biocides, they may well require more acreage to grow the same quantities, meaning more seed sales. On the other hand, it might ... increase the use of chemicals substantially as farmers are offered a 'package' deal of chemicals and seeds. Finally, PBR legislation — meaning variety control — would also mean control over genetic resources for future breeding. Whichever way one interprets the situation, the agrochemical companies cannot lose."



HYBRID TOMATOES COULD YIELD MORE KETCHUP AND PROFITS FOR THE FARMER
INSET: HYBRID CABBAGES

Balsaver admits that 'package' deals are precisely what Nocil is aiming for. "We would like to provide farmers with all the inputs they need to raise productivity," he says, adding that seeds offer his company a synergy with its existing businesses. Hoechst's Unni, however, denies any linkages between the company's agrochemical and seed businesses. He admits, however, that the same marketing staff will sell both products.

The linkages will become more clear as biotechnological research leads to seeds that can be used in conjunction with specific types of pesticides. A case in point is that of Roundup, a weedicide sold by the American firm Monsanto. Roundup has the flaw that it destroys all plant growth — the weed, as well as the plant the farmer is trying to protect. Solution: develop seeds with a 'chemical shield.' As the *Financial Times* recently reported: "Chemical shielding involves building in protection (into the seed) that resists attack by a particular agrochemical. This would lead to the possibility of a farmer spraying on a non-selective herbicide, like Roundup, confident that it would not disrupt crop growth."

Companies such as Levers and Mahyco are already looking at biotechnology very seriously. Says Sinha: "We are trying to link biotechnology with conventional breeding." Adds Barwale: "Biotechnology has unlimited possibilities." Mahyco already has a tissue culture lab and recently flagged off its molecular biology lab at Bangalore. "This science will bring about a revolution."

The fact that the new seedmen so often compare developments in the seed industry with the Green Revolution should make one stop and think. While, on the one hand, that revolution did increase agricultural output, it also aggravated social inequality; it helped to mechanise agriculture, but also threw marginal farmers off their land; it eliminated certain pests, but also developed 'super-pests' immune to pesticides. The second revolution seems to suffer from the same dualism as the first. It may yield seeds of plenty, but may also bring about a harvest of discontent.

■ *Mukul Pandya*

DEPOSITION OF HYBRID PARENT SEEDS WILL BRING ABOUT SELF-SUFFICIENCY, SAYS RAJAN

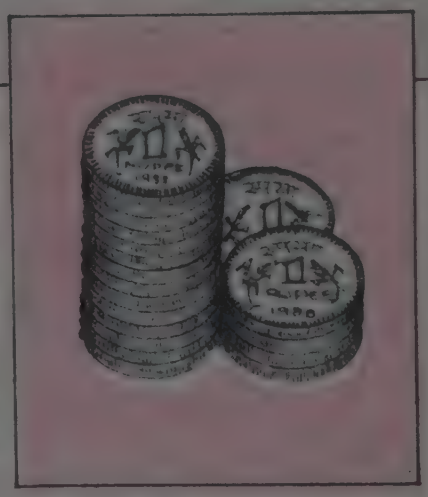


ERECTING NEW HURDLES

The managing director of SBI Capital Markets Ltd., D. Basu, was shocked when the finance ministry issued a notification some weeks ago trebling the stock exchange listing floor from Rs 1 crore to Rs 3 crores. This means a new company can get listed on the stock exchanges only if it has a minimum capital of Rs 3 crores against the earlier floor of Rs 1 crore. The finance ministry was talking to us about a total package, why have they done this now, Basu is reported to have asked.

Basu is not alone in being surprised. A sense of outrage also fills other middle level entrepreneurs who describe the finance ministry's decision as a "Tughlakian fiat". It is easy to understand why the ministry's action has evoked such strong reactions. The net effect of the trebling of the listing floor is that no new project with investment of less than Rs 7.5 crores (assuming a conservative debt-equity ratio of 1.5:1) can hope to raise equity capital from the public. Moreover, an entrepreneur now has to fork out Rs 1.2 crores of his own money as equity before he can approach the public, whereas earlier he had to raise only Rs 40 lakhs.

The finance ministry's decision to treble the stock exchange listing floor to Rs 3 crores will hurt middle level entrepreneurs



If the public is ruled out, there are not many avenues available in the still developing institutional structure in India for a medium-scale entrepreneur to raise equity capital.

Under the listing requirements, 60% of the equity capital of a company has to be offered to the public. This means that 40% has to come from the promoters including their relatives, friends and associates. Earlier, the listing floor was Rs 1 crore: thus entrepreneurs wanting to get their companies listed needed to raise a minimum of Rs 40 lakhs as the promoters quota. According to merchant bankers, a large number of projects were being planned on this basis. Now, most of them have been left in a financial vacuum.

The main problem arises because a promoter who wishes to float a company with equity of less than Rs 3 crores will find no takers from the public for his shares.

Finance ministry officials have informally been airing some justifications for their decision. Merchant bankers who approached officials of the investment division of the finance ministry were told that the move was aimed at reducing the number of companies on the stock exchanges which are already overcrowded with inactive scrips. There are reportedly more than 5,000 companies listed on the exchanges and scrips of only 300 or 400 of them are traded regularly. Trebling the listing floor would shut out a large number of companies and, therefore, bring down the relative number of untraded scrips.

If advance spring cleaning were the only objective to be considered, this move might find some justification. But any decision regarding the capital market does not act in isolation; it alters a number of factors affecting the ability of a company to raise capital. In this case, the effects will be disastrous.

Trebling of the listing floor, or even increasing it 10 times, would be harmless if the "total package" that Basu was talking about was put in place and operated efficiently. The financial institutions and the merchant banking subsidiaries of banks have been discussing with the finance ministry proposals to create facilities for trading in unlisted securities.

One of the ideas is to have over-the-counter (OTC) trading in unlisted securities. Another is to set up an unlisted securities market (USM) as a second or third tier in the stockmarkets. A third idea is that when the merchant banking subsidiaries of banks and other corporate entities become members of stock exchanges they could become 'market makers' in unlisted securities, offering two-way quotations in shares of selected companies. The "total package" could well be a combination of all these three ideas and some more if they are feasible.

Once this new set-up is created, shares which are not listed on the stock exchanges will have liquidity and therefore entrepreneurs will have no difficulty in approaching the public for funds even if their companies do not have listing.

Once liquidity, which is the vital element in any exercise in raising capital, is assured, the question of listing on the stock exchanges becomes academic. In that case, the mandarins of North Block can play their arithmetical games without affecting industrial growth and investment.

This total package will not become a reality and start functioning effectively till at least a year from now, for any new creation needs time to settle down. Therefore, there is no option for the finance ministry other than to rescind the order raising the listing floor to Rs 3 crores. It can be reintroduced after an effective unlisted securities market gets going.

Finance ministry officials could argue that promoters affected by their decision could approach SBICap or Canbank Financial Services to take up their equity through bought-out deals. But this is a limited option as the capital of SBICap and Canfina is too small to cater to the large number of entrepreneurs who will be hammering at their doors. Eventually, it will mean a lot of the best laid plans of many an entrepreneur going up in smoke.

■ *R. Vijayaraghavan*

The author is a Madras-based financial journalist.

NEW EXCHANGE RISK SCHEME

The "creeping devaluation" of the rupee, which has been in evidence for the past few years, may have helped India's export effort. But one of its adverse effects has been to jack up the rupee cost of borrowing for companies which need foreign currency loans to run their business.

To protect such companies against excessive exchange risks, the Industrial Development Bank of India (IDBI), Industrial Credit & Investment Corporation of India (ICICI) and Industrial Finance Corporation of India (IFCI) have evolved a scheme styled Exchange Risk Administration Scheme (ERAS).

The scheme, which came into effect on 1 April, has initially been launched for a period of two years. Borrowers who are not in a position to hedge their foreign exchange exposure are entitled to join the scheme for specific loans.

In the case of all foreign currency loans covered by the ERAS, the repayment liability of borrowers will be "tied" at the rate of exchange prevailing on the date the loan is disbursed. However, in exchange for this risk cover, borrowers will have to pay a 'composite cost' every quarter by way of loan servicing charges.

The cost will be revised from time to time by the three financial institutions, but will operate within a band. The cost announced for the April to June 1989 period is 15%, with 15% as the floor and 18% as the ceiling.

The IDBI is setting up an Exchange Risk Administration Fund to operate the scheme. ICICI and IFCI will initially contribute to the fund. The balance available in this fund will be used to meet the exchange risk element of foreign currency loans.

CREDIT POLICY ANNOUNCED

The twin objectives of the slack season credit policy announced by the Reserve Bank of India at the end of March are supporting productive activities and containing inflation.



MALHOTRA TIGHTENS MONEY SUPPLY

The statutory liquidity ratio (SLR) has been left unchanged at 38% of net demand and time deposits. However, in keeping with the recommendations of the Vaghul working group, the ceiling of 10% on the inter-bank call money rate has been dropped. The ceiling rates of 10.5% to 11.5% on inter-bank deposits, and 12.5% on inter-bank participations without risk will also be dropped from 1 May 1989.

In order to provide investors with instruments for investing short-term surplus funds, certificates of deposit (CDs) have been introduced. According to the State Bank of India (SBI), though this is a "liberalisation measure, it may result in interest cost escalation for banks."

Companies with a net worth of at least Rs 10 crores have also been allowed to issue commercial paper (CP) as the Vaghul working group had recommended. The discount rate on such CPs will be determined by the market. This measure, states the SBI, "may affect the quality of advances portfolio of the banks."

The credit policy, further, has raised the rate of interest on short-term deposits from 4% to 6%. A common cash reserve ratio (CRR) of 15% of net demand and time liabilities has been announced. This replaces the former system, under which there were multiple CRR rates for demand and time deposits, FCNR and NRE deposits.

RBI governor R.N. Malhotra said it was essential to tighten money supply. During the past few years, there had been an increase of 16% in M3. "The RBI will not exceed its limits by putting too much money into the economy," he added.

CAPITAL PERFORMANCE

India's rapidly growing capital market has got ranked among top gun stockmarkets of the third world. According to a review of emerging stockmarkets conducted by the International Finance Corp., India has emerged tops among developing countries as far as number of listed scrips is concerned. These stood at 2,210 (as on September 1988) on the Bombay stock exchange (BSE).

India's market capitalisation of $22,001 million got it the fourth spot after Taiwan and China ($1,56,768 million), South Korea ($63,009 million) and Brazil ($30,211 million).

Its price earnings ratio of 33.3, places it fourth in the world following Japan (51.9), Taiwan and China (46.5) and South Korea (36.8).

India's price to book value ratio of 3.1 also gets it a peep among the top four. But India's dividend yield is not too high even though the figure has bested Japan (0.5%) and S. Korea (0.7%). At 2.6%, it has been left behind by Zimbabwe (9.1%), Chile (8.7%), the UK (5%) and the US (3.7%).

FOREIGN BANKS DO WELL

Foreign banks recorded the highest rate of credit and deposit growth during 1988, according to data released by the Reserve Bank of India recently.

Deposits rose by 30%, while the credit portfolio increased by 35.4%. In contrast, the deposits of nationalised banks plodded up by a modest 19.8%, while those of the State Bank of India (SBI) went up by around 17%.

The SBI this year has fallen behind the other nationalised banks. Last year, its name led all the rest, with a deposit mobilisation of 20%.

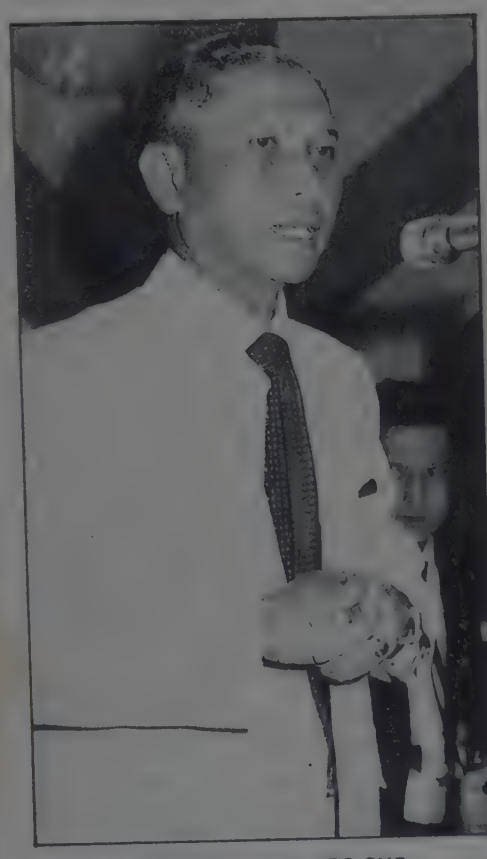
The performance of foreign banks owes a good deal to their mobilising deposits from non-resident Indians. Such deposits enjoyed a concessional cash reserve ratio (CRR) before April. However, since the new credit policy imposes a blanket CRR of 15% on all deposits, foreign banks will no longer have this advantage.

LURE OF THE SOUTH

Airlines seem to be making a beeline for south India these days. Recently, it was British Airways flagging off new flights from Madras and now it is Malaysian Airlines with plans to increase its services.

The airline, which has just appointed Mackt Travel & Cargo as its general sales agent for Karnataka, would like to step up the current five flights a week on the Kuala Lumpur-Madras route to seven. But there's a catch.

"We have no objection to allowing Air-India and Indian Airlines free access into Malaysia," says managing director Abdul bin Abdul Rahman. "But there should be a reciprocating gesture from the Indian side." And the Indian government has been singularly chary of allowing foreign airlines to operate fresh flights.



RAHMAN FAVOURS A QUID PRO QUO

Encouraging traffic. Rahman feels that his airline could do quite a lot to encourage traffic to the south. Bangalore, he says, is an ideal destination for tourists in view of its salubrious climate. Malaysians, in particular, would be more prone to visit the city in view of the large number of students from that country pursuing higher studies there. The airline is also thinking of promoting package tours for golf fans because of the existence of some excellent golf courses in Bangalore.

Currently, Malaysian Airlines operates flights to 28 international destinations and 25 domestic ones. It carries over 6 million passengers a year. By June, it will be operating flights to Zurich, Fukuwaka (Japan), Brussels and Istanbul, and by November to Auckland (New Zealand) and Brisbane in Australia, and Canton and Beijing in China.

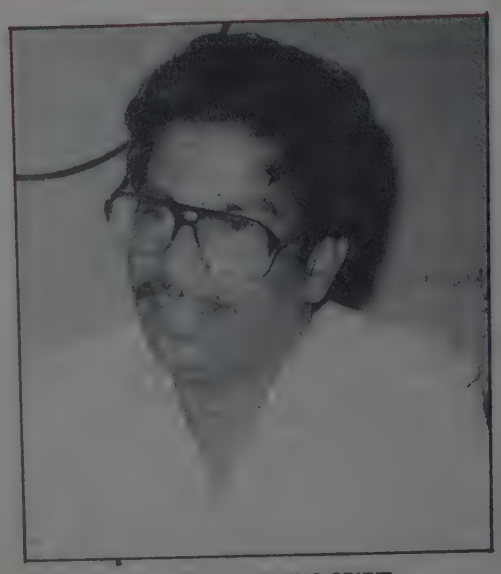
In an effort to become the biggest in its region, the airline is investing $2 billion on expansion over five years, beginning this year. The airline will acquire six Boeing 747 aircraft, costing $130 million each. If all plans work out, it could well succeed in becoming a local high flier.

KAMANI TUBES' SECOND INNINGS

The wheels have started moving again. Kamani Tubes Ltd. (KTL), a sick unit taken over by the workers under a rehabilitation scheme sanctioned by the Board for Industrial and Financial Reconstruction (BIFR), has finally switched on its idle machines.

The cynics are for the moment confounded. Not only have the workers been able to organise themselves successfully but they have also managed to tackle the financial and bureaucratic tangles. "We are happy with the financial package and have no quarrel with the financial institution's who have shown confidence in us," says D. Thankappan, working president of Kamani Employees' Union and the moving spirit behind the KTL revival scheme.

The reopening was celebrated in suitable style. Inaugurating commercial production on 6 April, Maharashtra industry



THANKAPPAN IS THE MOVING SPIRIT

minister Ramarao Adik said he had utmost faith in the workers' ability to run their unit successfully. But there are bound to be some teething troubles.

Suspect area. Although commercial production has started against firm orders ("all our old customers are now returning to us"), marketing is still a suspect area. "Our competitors in Jaipur and Jodhpur have an edge over us. As Rajasthan has only 3% sales tax, the products are cheaper there," says Thankappan.

Explaining this further, Shivajirao Patil, chairman of the Maharashtra State Federation of Cooperative Sugar Factories — one of the major customers — said that the federation had all along been buying KTL tubes. But one of the sugar factories had to place an order worth Rs 8 lakhs for seamless tubes with a unit outside the state as KTL tubes would have cost Rs 36,000 extra because of the higher sales tax.

Besides the price disadvantage, managing the show may not be that easy. In many ways this is a novel experiment and one that could do with a lot of watching. There are hardly any instances of workers successfully managing the show. "We must all take an oath that we'll succeed in running this company professionally," says KTL managing director J.K. Arvind.

In the initial euphoria it is of course all hands to the wheel. Whether such amity and unanimity will be kept up is anybody's guess.



ON MARCH 1,
BRITISH AIRWAYS
RELAUNCHED
FIRST CLASS.

IN 12 WEEKS,
WE CHANGE
THE CARPET
AGAIN.

And we change it again every twelve weeks thereafter.

Not that it isn't superb wool carpet. It's simply that we understand and respect the needs and expectations of you, our First Class passenger.

So we have designed our new service totally around your comforts, in every detail, in every area, on the ground as well as in the air.

Now, wouldn't it be a shame to spoil all that with a carpet that's thirteen weeks old?

FIRST
class

BRITISH AIRWAYS
The world's favourite airline.



GHOSH WILL HAVE HIS WORK CUT OUT

SHEDDING LIGHT ON CESC

Thanks to a curious coincidence, the elevation of P.B. Ghosh (60) earlier this month as managing director of CESC (formerly the Calcutta Electric Supply Corporation) coincided with the news that India's original takeover tycoon, R.P. Goenka, had acquired a substantial stake in this company. Close to 49% of CESC's equity is held by the financial institutions — who have four members on its 11-man board — and as such Goenka's takeover target has taken everybody by surprise this once. But with the Larsen & Toubro case acting as precedent, it is possible that RPG will be allowed to have a say in CESC affairs, notwithstanding his status as a junior shareholder.

As an oldtimer in this erstwhile sterling company — incidentally, CESC is one of the few remaining Indian companies whose shares are still quoted on the London stock exchange — Ghosh is unfazed. "These matters should not bother professional managers. Our team is committed to giving its best to the company — irrespective of its British, institutional or family-held ownership pattern," he reasons. (Ghosh joined his employers in 1956 and, like most of his colleagues has not changed jobs.)

Alleviating shortage. Right now, CESC managers have plenty on their plate. A new 135 Mw power station costing Rs 220 crores is being set up in Calcutta's southern district of Garden Reach. Simultaneously, a Rs 32 crore scheme is under way to bring high voltage power from this station to the centrally located Park Street area. The idea is to alleviate the chronic power shortage plaguing Calcutta's densely populated central and southern areas. Confirms Ghosh: "My first priority is to ensure that the Garden Reach project gets completed ahead of schedule."

As far as loadshedding prospects for the summer of '89 are concerned, Ghosh says that things might look up from May. Reason: power supply from the state government's partially shut units at Kolaghat and Farakka is likely to be augmented then. Besides, the melting snows of the Himalayas will energise the 40 Mw Chukha hydel plant in Bhutan, contributing a couple of megawatts to power-starved north Bengal. "As far as CESC's own generation is concerned, all our machines are working flat out. Currently, our capacity utilisation is peaking at 80% and we expect to maintain this level throughout summer," says Ghosh.

Operational aspects apart, CESC's new boss — who carries impressive academic (gold medallist in electrical engineering, Calcutta University) and social (past president, Calcutta Club) credentials — is loth to venture a guess as to why CESC might have attractions for a hard-nosed businessman like Goenka.

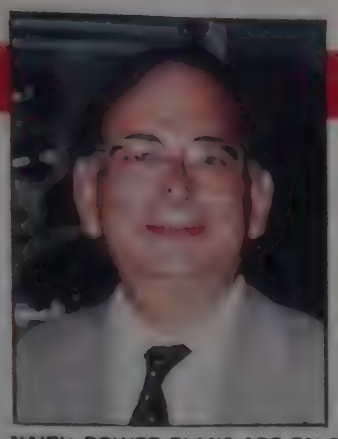
Straitjackets. The company operates under several straitjackets. Input prices (coal, power bought from the Damodar Valley Corporation, etc.) and selling prices are fixed by the government, and even the annual rate of return on shareholders' capital is pegged at 12%. With large sums being spent on modernisation, computerisation and new power stations, borrowings are high at Rs 265 crores, leading to a debt-equity ratio of 3:1. But although Ghosh does not spell this out, an obvious silver lining for RPG is CESC's daily cash collection of a staggering Rs 1 crore. Also, the company's fixed assets base is an impressive Rs 374 crores — larger than that of Dunlop India which RPG lost to the Chhabrias.

It seems RPG has done his homework well. And if Ghosh runs the company with the promised drive and push, Goenka's sums will probably add up to the right answers.

REAPING PROFIT FROM POWER

E.F. Schumacher would have approved. In an area in which megaprojects are the norm, Crompton Greaves (CG) — the electricals giant and would-be electronics major — is thinking small. Just off the starting block is Punjab Power Generation Machines Ltd. (PPGML), a joint venture in Punjab's Sangrur district to manufacture small power turbines of up to 20 Mw capacity.

There is, however, nothing small about the project's potential, if the hopes of the promoters are any indication. "Wherever there's a stream of running water, these turbines can be installed. And considering India's vast network of canals and rivers, there's great potential," says Rajinder K. Nair, PPGML's chief executive. This optimism is shared



NAIR'S POWER PLANS ARE ON STREAM

by K.K. Nohria, president and managing director of promoter company Crompton Greaves: "According to our estimates, the market size is about 5,000 Mw. At Rs 1.20 crores per Mw, the market is a whopping Rs 6,000 crores in terms of value."

Small bite. PPGML, which has been co-promoted by the Punjab State Industrial Development Corporation (PSIDC), has already taken a small bite of that huge apple. Orders valued at Rs 26 crores are in the bag. The customers include the Punjab and Himachal Pradesh state electricity boards; the Uttar Pradesh Mini Power Corporation and the UP Hydel Power Corporation. Two turbine orders of 400 kw each have already been executed; they have been installed for the PSEB at Rohti and Thuhi.

With technology backup from two Austrian leaders in this field — Voest Alpine and Kossler GmbH, PPGML is not too worried about competition from the likes of Larsen & Toubro, Bharat Heavy Electricals, Fouress, Jyoti and Flowel. "Why should we be?" asks Nair. "Our orderbook is one of the healthiest in the industry (in our range) and several others (new orders) are in the pipeline." Nair expects to tot up a turnover of Rs 20 crores in three years, 5% of which will be handed over to each of the foreign collaborators in the form of royalties.

The Rs 11.2 crore project, which has come up in the industrially backward area of Channo in Sangrur district, is being financed by equity and loans — the equity part being valued at Rs 3.85 crores. While Crompton Greaves will hold 24%, PSIDC gets 27%. The public will be allotted the remaining 49%. If all goes well, PPGML's turbines should be able to harness a lot of power for profit for all three.

A-MAIZING VENTURE

From minerals and metals to maize seems like an unlikely jump. But that's exactly what Yogesh K. Saraf (30), managing director of Indian Maize & Chemicals Ltd. (IMCL), has done. Backed by the financially solid Rs 200 crore Ferro Alloys Corporation (Facor) group, a market leader in ferro alloys and charge chrome, Saraf is going the whole hog on maize processing. "From 100 tonnes of maize, I will get 98.5 tonnes of products. Others can extract only 82 tonnes," says Saraf. And implicit in this boast is a promise to extract more profits from his Rs 22.50 crore Bulandshahr (UP)-based venture.

Comparisons may be odious, but Saraf uses them to advantage. While K.G. Gluco Biols Ltd., a Glindia (formerly Glaxo) offshoot, makes just three products after processing maize, Saraf will end up with five, apart from a host of byproducts. Some 3,300 tonnes of modified starches, 6,600 tonnes each of dextrose monohydrate and liquid glucose and 1,650 tonnes each of dextrose anhydrous and maltodextrin will be produced at IMCL's plant. The byproducts that Saraf intends to extract range from the controversy-laden low-cholestrol corn oil to others which can be used to make cattlefeed.

The profits shouldn't be chickenfeed, if the India Investment Fund's (IIF's) Rs 86.60 lakh vote of confidence in the company is any indication. A Grindlays Bank venture, IIF is investing the money in IMCL's equity. Facor and Picup are picking up Rs 2.01 crores and Rs 2.18 crores respectively from the company's Rs 8.66 crore equity base, leaving the rest for the public.

With technology being supplied by Starcosa GmbH of West Germany, a world leader in the supply of maize processing plant and machinery, Saraf obviously thinks he's sitting pretty. "No other manufacturer in India has the kind of updated technology we have for maize processing," says he.

No hassles. There'll be no marketing hassles either, as Saraf reckons that the regional demand in the north and east alone should soak up IMCL's offerings. "We expect to grab only 5% of the national market," he adds unambitiously.

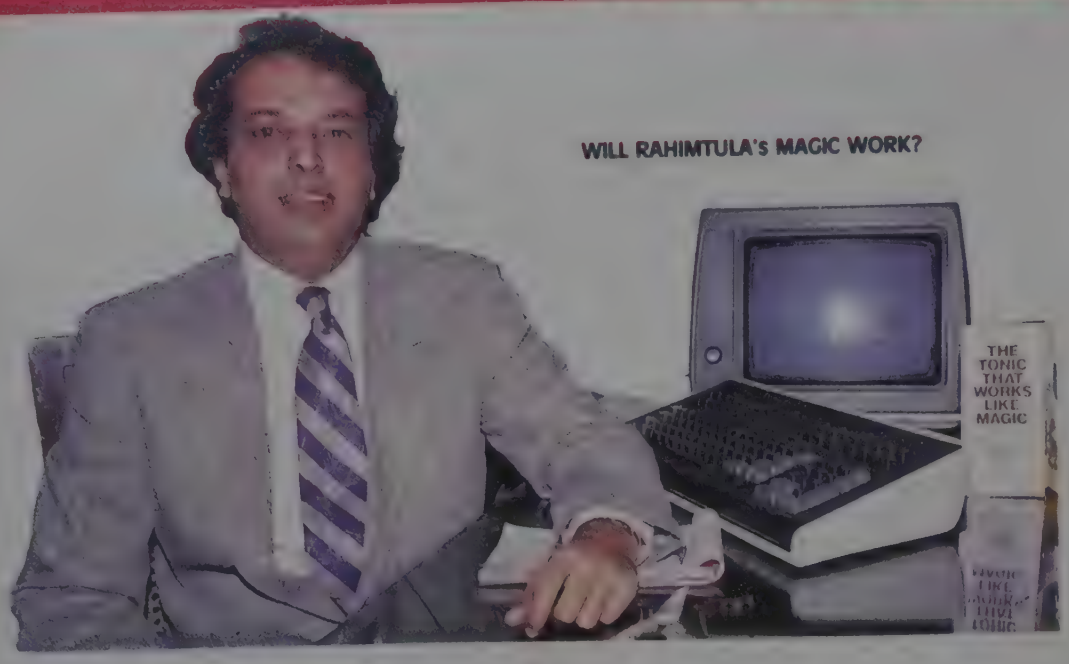
His products certainly have great potential. For example, modified starches find ready buyers in the pharmaceuticals, textiles and paper industries. Dextrose anhydrous is used in intravenous saline injections while liquid glucose will find applications in canned foods, confectioneries, ice-creams, etc. Maltodextrin, an ingredient in babyfood, frozen dairy products and beer, should also find easy customers.

"Only for dextrous monohydrate (DMH), will we have to do some selling because of crowded market conditions." The plan is to convert around 1,650 tonnes of DMH into Glucose-D and sell under a brandname.

It isn't going to be easy, given that big-boy Glindia has a solid grip on the market. Saraf hopes to chip away at Glindia's market share by sustained promotion. The advertising war chest being talked about: Rs 1 crore. That's not a small sum for a company that expects to clock in a turnover of Rs 20 crores in the first 16 months of production, starting next December. Saraf apparently does not believe in playing for small stakes.



SARAF IS PUTTING HIS TEETH INTO MAIZE



WILL RAHIMTULA'S MAGIC WORK?

A TONIC FOR GROWTH

For the 40-year-old, low-profile Rahimtula group of companies, 1989 might well be a turning point. This year will see it graduate from mere trading activities to manufacture.

A start has already been made and the initial product is a novel one — a health spray for plants called Green Magic. Says Hasan N. Rahimtula, managing director of the group, "It is a tonic that works like magic."

Green Magic is essentially a plant stimulant which works like a steroid. It is claimed to help plants grow at twice their normal rate. It is based on a similar product, brandnamed Atonic, made by Asahi Corporation of Japan.

Cautious start. For Rahimtula, it has been a carefully thought out launch. First, he waited until the Indian Council of Agricultural Research (ICAR) gave the green signal to the product. That was last year. The start too was cautious: Rahimtula imported about 500 litres of the concentrate, diluted it and sold about 30,000 bottles of the tonic. With demand showing no signs of letting up, the product is to be commercially launched this year.

Green Magic will be manufactured by International Ore and Fertiliser (I) Pvt. Ltd. — one of the 13 companies under the Rahimtula umbrella. A semi-automated plant for the purpose has already been set up at Hyderabad. The target for the current year is 3 lakh bottles. An elaborate distribution arrangement is being worked out through the nearly 10,000 fertiliser distributors all over the country.

But the 48-year-old Rahimtula must be keeping his fingers crossed. The success of Green Magic will not be visible immediately, but when the plants mature. If something goes wrong, sales could slump.

That may not really damage the Rs 35 crore turnover (1988) Rahimtula group. But being its first sortie into manufacturing, it is probably more than the rupees and paise that count. It is a different sort of magic that Green Magic is expected to work.

GOODBYE & BAD BLOOD

After weeks of facing the flak since announcing the suspension of its services from Calcutta, Sea-Land Services Inc. has decided that the worm too sometimes needs turn.

ROELS CAME TO CLEAR THE MISCONCEPTIONS



"We were being accused of all sorts of things — from reneging on our liabilities to having dues of over $1 million," says Roger Roels, general manager (Middle East/Sub-Continent). So Roels and his team flew down from their Dubai base to "clear up some misconceptions."

Sea-Land, basically a shipping line offering container services, decided late last year to opt out of Calcutta. By the time it actually suspended services in March 1989 all sorts of rumours were doing the rounds.

With some justification. Sea-Land had disposed of the services of its regular contractor — Integrated Marketing Pvt. Ltd. (IMPL) — and appointed instead financial consultants S.S. Billimoria to handle all claims. But the latter withdrew in a month claiming that its staff was being "threatened" by employees of IMPL. The result: Sea-Land's creditors felt they had been left in the lurch.

Matter frozen. Besides, IMPL had earlier filed a suit on behalf of Sea-Land in the Calcutta high court saying that certain amounts which the Calcutta Port Trust (CPT) was claiming were not legal. When IMPL was shunted out, CPT went to court again, further muddying the waters. The matter has currently been frozen with Sea-Land giving an additional bank guarantee of Rs 18 lakhs until the hearing is over. (It had earlier made a deposit of Rs 15 lakhs).

"But even if you add up all these figures, you do not get $1 million," says Roels. "We will pay what we owe but we don't know where they are getting such figures from."

It rankles Roels that all this comes at a time when Sea-Land is planning to expand its business in India by 60% through the five other ports it operates from. But if business is growing, why leave out Calcutta? "For us there was no growth there," says Roels. "Calcutta did not fit into our scheme of things." It is a refrain that is being heard fairly often these days.

IN HOT PURSUIT OF EXPORTS

Sometimes, the home turf is too small for people who intend to be big players. Kelvinator of India Ltd. appears to be one of them. Not satisfied with a claimed 50% share of the home market in refrigerators, it is looking for new pastures abroad. Not only for refrigerators, but also for the compressors that run them. And it is apparently succeeding.

Although Kelvinator has been exporting compressors and refrigerators in relatively small quantities to East and West Asian countries, it was only recently that it struck gold. Last year, it supplied about 25,000 compressors to China. It has now bagged a prestigious Rs 6 crore order for the delivery of about 1 lakh compressors to the Soviet Union.

And there's apparently more where that came from. On the horizon is a second order valued at Rs 8 crores which Kelvinator hopes to tie up soon. Says a nonchalant J.R. Desai, managing director of Kelvinator: "This is not surprising. Our quality has been the major factor responsible."

Low failure rate. Kelvinator personnel take pains to underline that the failure rate of their compressors has been negligible — a mere 2% over the last five years. With this key strength, the company is negotiating for orders to West Germany, Mexico and the USA.

To meet rising demand and the worldwide shortage of compressors, plans are being drawn up to increase the daily production capacity of compressors from 2,200 to 3,500 in a phased manner. The company is also getting into a technical collaboration with Zanussi of Italy to manufacture microwave ovens, washing machines and new refrigerator models. Zanussi, a wholly-owned subsidiary of Electrolux of Sweden, is the largest manufacturer of washing machines and the second largest manufacturer of refrigerators in the world.



REGURAJ IS PRACTISING WHAT HE TEACHES

The Italians have of late fared extremely well in the world market for "white goods" such as fridges, washing machines and kitchen equipment. The reason: they have managed to combine high quality with not-so-high prices. Observes Desai: "The Italians are offering white goods like how we are offering vegetables."

That scenario is not necessarily too far away even in India. With the number of players in the 'white goods' manufacturing sector rising in leaps and bounds, cut-throat competition is on the cards in the nineties. Export or perish could then become the new war-cry of domestic manufacturers. By getting onto the bandwagon early, Kelvinator may even be able to export and flourish.

LEARNING THE TRADE

With everyone going in for backward and forward diversification, it should raise no eyebrows that the Bangalore-based Nettur Technical Training Foundation (NTTF) is joining the bandwagon. NTTF, better known as a foundation for promoting technical education, has set up a joint venture to manufacture connectors and interconnecting systems.

The new outfit, styled VNTTF (India) Pvt. Ltd., has been promoted in tandem with Varelco of the UK. While the latter holds 40% of the Rs 30 lakh equity, NTTF has chipped in with the other 60%.

Further potential. The Varelco connection has the potential of being tapped further. "The tieup may open up possibilities for taking up the manufacture of other products from the group," says VNTTF's managing director N. Reguraj, who also heads NTTF.

NTTF had, however, begun shedding its educational foundation image even earlier. Over the past couple of years it has emerged as a reliable OE (original equipment) supplier of auto electrical products to companies such as Maruti and Telco. This explains to some extent why Varelco agreed to join hands with it. "Varelco chose to enter into a joint venture with us because of our tool making capacity and knowhow," says Reguraj.

The knowhow has come over the 25 years of training in tool and die making and allied metal trades that NTTF has been imparting through its five training centres in south India. But the happy schooldays are obviously over as the group prepares to move into the rough and tumble of the marketplace. It is time to learn the tricks of another trade and it is left to be seen whether the group has the right connections.

(Contributed by Mava Rai Choudhuri, Sujoy Gupta, Parthasarathi Swami, Anil Wanvari, N. Raghavan, George Skaria)

COMMERCIAL PAPER

OPPORTUNITY BECKONS

India's resource-rich, but instrument-hungry, short-term money market has been promised a little gift: commercial paper, an unsecured IOU with which blue-chip companies can raise money at rates lower than what bankers can lend them. Said Reserve Bank governor R.N.Malhotra while announcing the gift in March: "Commercial paper (CP) will enable corporate borrowers to diversify their sources of short-term borrowings."

They well might. Currently, the only sources of flexible short-term finance for the corporate sector are bank overdrafts, cash credits and the inter-corporate money market. Both are costly. While bank funds cost 16% plus, inter-corporate funds are costliest when they are needed most. CPs could conceivably fill the breach.

Corporate finance men have already begun working out the sums. According to Pradip Shah, managing director of the Credit Rating Information Services of India Ltd.(Crisil), at least 50 companies have already informally indicated that they may be interested in getting themselves rated for being eligible to issue CPs. Though Shah declines to name names, *BusinessWorld* gathers that the list includes heavyweights like Tata Steel and Reliance as well as smaller companies like Spic and Ashok Leyland. A clutch of public sector companies that were solvent enough to to be allowed to raise bonds from the public may also join the queue to make CP issues. Unlike their private sector brethren, they do not even have to get themselves rated or listed.

CRISIL'S SHAH WILL OFFER A GUIDE



Restricted field. Not everybody, of course, will get the nod. For starters, the RBI has already restricted the field by specifying that only listed companies with a minimum net worth of Rs 10 crores and a maximum permissible bank finance limit of Rs 25 crores will be allowed to issue CPs. But these are only the preliminary stipulations and when the detailed guidelines are in, the list of eligible companies could be shortened further. Says S.S. Tarapore, executive director of the RBI: "The guidelines will be stringent. We don't want to countenance any failure."

One of these will be that CP issuers will have to get themselves rated every six months if they are to be eligible to issue notes continuously. Crisil has already notified its rating symbols, with P-1 denoting the highest solvency and P-5 the lowest. In the ratings between P-1 and P-3, Crisil may add a plus sign to denote a superior standing within the broad rating. "These ratings will provide a guide to investors as to the degree of safety and timely payment on these instruments," says Shah.

Besides being a new source for raising finance cost-effectively, CPs have the added advantage in that they are not tied to any specific operational transaction. They can be privately placed by issuers with investors (excluding non-resident Indians). CP issues can also be floated through banks and financial institutions. To be made in multiples of Rs 25 lakhs with a floor quantum of Rs 1 crore, CP issues can offer varying maturities in the range of 91 days to 6 months. The ceiling on the amount that can be raised will, however, be pegged at 20 % of the maximum permissible bank finance available to a company.

Though such stipulations tend to discount some of the attractions CPs



VAGHUL SEES CPs AS A SUPPLEMENT TO NORMAL BANKING

may hold for the corporate sector, the fact that interest rates will be free to be determined by market forces raises the prospect of cheaper finance. "This will usher in a securitised money market," says Crisil's Shah, referring to the fact that CPs can be transferred by endorsement and delivery. Besides, if they are issued at a discount, the issuer would not have to go through the hassles of paying interest on the money raised. "Even deduction of tax at source would become superfluous," observes Shah.

Reducing dependence. On a larger plane, CPs would, over a period of time, reduce the dependence of the corporate sector on banks for meeting working capital needs. "These versatile instruments will bring about disintermediation in the banking system," observes R.Nambi, general manager in J.M.Financial & Investment Consultancy Services. According to him, the interest rates on CPs could settle in the 11-14 % groove, most probably in the upper ranges.

N.Vaghul, chairman of the ICICI and head of the committee which recommended the introduction of CPs in the Indian money market, disagrees partly: "CPs will ease the pressure on banks for short-term funds. A healthy CP market is a supplement to the short end of the organised banking segment and not a substitute."

Some bankers, however, worry that the new instrument could affect credit discipline. Says an official of the

State Bank of India:"CPs would improve liquidity, (money) velocity and credit supply undoubtedly. But this would, on the other hand, aid inflationary forces in the economy."

Perhaps. But considering the kind of tough conditions being attached to the issue of CPs, it is difficult to visualise serious breaches of the monetary policy. On the other hand, they may even ensure greater discipline by bringing into the organised money market the vast sums of inter-corporate deposits that function largely in an unregulated milieu.

The bankers may have their doubts, but the corporate sector is sure that CPs are a good thing. Apart from lowering interest cost, the added advantage will be that "the cost of establishing and maintaining a CP programme will be inexpensive," observes N.A.Soonawala, financial advisor to Tata Sons. He's right. Issue costs will be lower than in the case of money raised through, say, debentures or even fixed deposits since the administrative costs are minimal. No registrars are required to maintain folios of investors, nor will depositors have to be serviced periodically since CPs can be issued at a discount to take care of the interest element.

But before the chickens can be counted, they must be hatched. And if the CP market is to take proper shape, there must be a vibrant secondary market so that primary investors are not stuck with illiquid securities. There are signs that the Discount and Finance House of India will try to give the CP market a leg up by offering two-way quotes. "When that happens, the secondary CP market would have been born," says Nambi of J.M.Financial.

Once the secondary market is born, commercial paper will have truly arrived on the Indian scene.

■ *A.H. Ghani*

BUSINESS HISTORY

NEW PERSPECTIVES

"History is bunk", Henry Ford once said. But not everyone seems to agree with him. Especially the management gurus at the Indian Institute of Management, Ahmedabad (IIM-A). Last month (March), 27 participants drawn from various streams of academia immured themselves in its monastic chambers for three days to ponder over the nexus between business and politics during the years 1850-1947. And they came up with some surprising answers.

They discovered, for example, that the roots of today's intimate links between business and politics could be partially found in Gandhi's actions during the freedom movement. In those tumultuous years, the traditional equations — that business is money and politics connotes power — gave way to a new phenomena: that business is power and politics is money. All the three players in the drama — the business groups, the British government and the Indian nationalists — quickly realised the significance of the new equations.

Need-based relationship. Wooed from both sides, business groups discovered their power and began demanding concessions from both. If the battle cry of the nationalists was *swaraj*, in corporate cabins, the bottomline was economic independence. When Gandhi wove the two strands together in the twenties, he laid the foundations of the need-based love-hate relationship between business and politics with which we are familiar today.



PAREKH AND SHETH (R) AT THE SEMINAR: RUMINATING ON INDIAN BUSINESS HISTORY

Other equally singular conclusions became apparent at this unusual seminar on "Business and Politics in India: A Historical Perspective," organised by the IIM-A from 29-31 March 1989. The seminar, the fourth in an ongoing series, focused attention on a much overlooked area of management: the study of business history. Pioneered by the Harvard Business School in the fifties, this field is still in its infancy in India. Where institutions such as Harvard and the London School of Economics offer full-time courses on the subject, in India research is yet at the seminar level only.

The first such IIM-A sponsored Indian seminar on business history (held in 1982) examined the various business communities of India and the concept itself. The second seminar (1984) explored the relationship between the state and business. The third (1987) focused on the reaction and response of Indian managements to the environment created by the state. Bolstered by a wealth of scholarship, the 11 papers presented at the recently concluded fourth seminar offered both new data as well as fresh insights into the interpretation of the already known material.

Perhaps the most interesting papers were those presented by Dr Claude Markovits (*Businessmen and partition*) Prof. Bhikhu Parekh (*Gandhi and big business*), Prof. D. Tripathi (*Industrialists and the Congress*), Prof. B.R. Tomlinson (*British business in India*), and Prof. Kapil Kumar (*Capitalists and kisan sabhas — 1930s*).

The seminar discovered that the roots of today's intimate links between business and politics could be partially found in Gandhi's actions during the freedom movement

Controversial paper. Markovits, a lecturer at the Paris-based Centre Nationale de la Recherche Scientifique and the author of *Indian Business and Nationalist Politics 1931-1939* presented a highly controversial paper. Trying to understand "the logic of the pre-partition attitude towards partition of Indian big business," Markovits took up an issue on which practically no research has been done. But as Prof. Tripathi pointed out: "Outwardly businessmen may be rational, but in actual fact, and in their private thoughts, they are not so rational, and partition was an event which precluded rationality." Though a revolutionary paper with many possibilities, its conclusions may have to be modified once Markovits starts examining empirical historical data.

Parekh, a lecturer at Hull University (UK) and the author of a biography on Gandhi (which Macmillan will be releasing shortly), presented an equally controversial paper on Gandhi's view of capitalism. The paper covered both the well-trodden ground of Gandhi's views on trusteeship and private property, and offered some unconventional insights. Among these were some comments on the close friendship between Gandhi and G.D. Birla. Pointing out that much of the known facts on this relationship were based on Birla's own works, Parekh said that on many occasions Gandhi simply refused to discuss the implications of serious political events with Birla.

G.D. Birla in fact dominated the seminar. His name appeared without exception in every single paper, and his impact on the national movement, on other industrialists, on Nehru and on Gandhi was discussed threadbare. Even if 1989 is Jamsetji Tata's 150th birth anniversary, even if the Tatas were multimillionaires long before G.D. Birla was even born, no other industrialist held the fascination which this man did at Ahmedabad.

One of the best researched papers was that of Tripathi, described by B.R. Nanda as "a feat of compression." Over 64 pages, the IIM-A professor and author of several corporate histories, sketched the relationships which the Indian industrial class had with Gandhi, Congress leaders, British entrepreneurs and rulers from 1885 to 1947. As a competent historian, he backed his comments with precise historical data. The hypothesis that these relationships were based on a "grand design" on the part of the captains of industry was considered but rejected in favour of one that suggested that industrialists reacted in an ad hoc manner to the political events of the time.

Different perspective. With one foot in India and the other in England, Tomlinson's paper offered a totally different perspective. A professor of commerce and social sciences at Birmingham University (UK) and a specialist on colonial firms in India, he explored the growth of British expatriate firms and managing agencies in India from 1860 to 1970. Pointing out that "the relationship between the state, economic development and private enterprise is the key to unlocking the history of British business in India," Tomlinson simultaneously warned historians against jumping to conclusions. If today's businessmen constantly wail that the government acts more as a brake than an accelerator to growth, the position was apparently similar during the Raj. "The operation of the colonial economy in India was often unhelpful to the activities that British businesses might have liked to pursue," said Tomlinson.

Kapil Kumar's paper inquired into the relationship between industrialists and the peasantry. A historian at the Indira Gandhi National Open University, Kumar has written and edited several works (*Congress and Classes, Peasants in Revolt* to name a few). Though the paper was inappropriately entitled *Capitalists and the kisan sabhas — 1930s*, dealing as it did almost exclusively with the attitudes of G.D. Birla and Ramkrishna Dalmia, the paper had the merit of venturing into almost virgin territory.

All in all, the 11 papers — which will be compiled in book form and made available by the end of the year — make interesting reading. As Prof. Narayan R. Sheth, IIM-A director and a specialist on labour-management relationships, pointed out: "We like to think that we are able to offer every type of scholarship. Scholarship, like music, is of many types. If our general curriculum is of the pop variety, our research projects, such as this series on business history, are akin to classical *ragas*."

■ *Gita Piramal*

TYRE INDUSTRY

DISCORD OVER TYRECORD

They never seem to tire of it: the Automotive Tyre Manufacturers Association (ATMA) and the Association of Synthetic Fibre Industries (ASFI) are at loggerheads once again. The campaign is at times subtle, at times direct, and, more often than not, distasteful. Misinformation, disinformation, and manipulation of figures are all part of the game. The issue once again is the shortage of nylon tyrecord during the current year (1989-90).

The war is nothing new of course. Ever since 1986, the two associations have been at each other's throats. This year, ATMA contends that there will be a shortage of about 3,000 tonnes and hence the government should allow imports at a concessional rate of duty. At present nylon tyrecord can be imported under open general licence at a duty of 179%.

The ASFI figures differ. Says F.C. Rustagi, president of J.K. Synthetics and a key figure in ASFI: "Even going by the tyre industry figures, we will be able to meet the demand." A senior executive in a tyrecord company adds, "ATMA has resorted to manipulation to come up with higher requirement figures. For instance, production capacity figures have

The ATMA and the ASFI are, like last year, at loggerheads about the shortage of nylon tyrecord

been reduced for some companies."

D. Ravindran, secretary of ATMA, has a different point of view. "Last year (1988-89), the tyre industry imported about 4,000 tonnes of tyrecord at a higher duty. We believe that, keeping in view the growth in the tyre industry in 1988-89 (about 26% in terms of numbers produced), this year will witness a similar growth." Ravindran has a point. Throughout the eighties, the average growth in bus/truck tyres (which constitute about 80% of demand) was a meagre 3%-4%. The tempo recorded last year has, perforce, to be maintained.

Freak year. But the opposition disagrees. "The growth in the transport sector is related to the growth in the gross national product and a figure of 7%-8% is a safe one. Last year was a freak year for the tyre industry," says an executive in a tyrecord company.

The row between the two organisations is on the back burner right now because of a decision by the directorate general of technical development (DGTD) to send a team to inspect the production facilities of SRF Ltd., JK Synthetics and Garware Nylon. But it could erupt once again come the first opportunity.

The problem is that there is a lot of bad blood between the two sides. In the case of other inputs such as carbon black and natural rubber, the tyre industry has been able to come to an agreement with the suppliers. But the tyrecord accord seems out of reach. ATMA has agreed to lift the entire domestic production of carbon black and natural rubber. The rest of the requirement will be imported at a concessional duty. "But the ASFI refuses to accept that there will be a shortage. Even last year, they said the same thing and the tyre industry had to cough up an extra Rs 20 crores on imports," says Ravindran.

The anti-ATMA position taken up by the tyrecord producers is because of a bitter experience in 1986. In that year, ATMA had claimed a shortage and was allowed to import about 2,000 tonnes. The result was that the offtake from indigenous producers fell from 1,800 tonnes to 900 tonnes a month in the period October-December 1986.

The ATMA justification for import at that time was the closure of the National Rayon Corporation plant. Even in 1988-89, imports were entirely due to the closure of the SRF plant for five months. As an SRF executive says, "We lost production of about 3,500 tonnes last year."



RUSTAGI BELIEVES THERE WON'T BE A SHORTAGE

Capacity expansion. Since then, according to ASFI, expansion in capacities has taken place. The Nirlon plant has started production at full steam while new capacities are coming up in the current year. SRF plans to add 2,000 tonnes by August 1989 while Century Enka plans to raise capacity from 1,800 tonnes to about 10,000 tonnes by December. Moreover, ASFI believes that ATMA is misinforming the authorities concerned to suit their needs. Says a source, "Three different sets of figures for the expected production of nylon tyrecord in 1989-90 have been given to the DGTD, the media and to the ASFI. Even the demand figure for the year has been changed." Replies Ravindran, "The figures keep changing simply because of new information we get from the tyre companies."

There is another aspect to this row. "What is it that the ATMA is crying for?" questions an ASFI source. "The fact is that in spite of imports of 4,000 tonnes of tyrecord at a higher duty last year, the tyre industry made impressive profits."

The other bone of contention is whether all tyrecord producers will run their plants at full capacity throughout the year. ATMA can grumble on this score because in the past they have not. "Even if one of the tyrecord plants closes down for some reason or the other, we will have an instant shortage in the country," states Ravindran. From the experience of the past, what is the guarantee it will not happen again?

Hence the government should allow more capacity to come up. This will mean installing a capacity that is higher than demand so that a balance can be maintained even if a unit closes down. The tyrecord producers agree with the idea, but disagree with ATMA's contention that newcomers should enter the field. Says Ravi Sinha, vice-president of SRF, "All these years, the government did not allow us to expand. Let us be given a chance to expand to the minimum economies of scale prescribed by the government." Adds a source in the industry: "In no other country are there more than three or four producers of tyrecord. It is only in India that we have seven people in the field."

But even if the government decides to allow fresh capacity, it will take long time a-coming. Till then tyre and tyrecord are unlikely to reach an accord.

■ *Alam Srinivas*

STOCKMARKETS

REGULATING THE BEARS

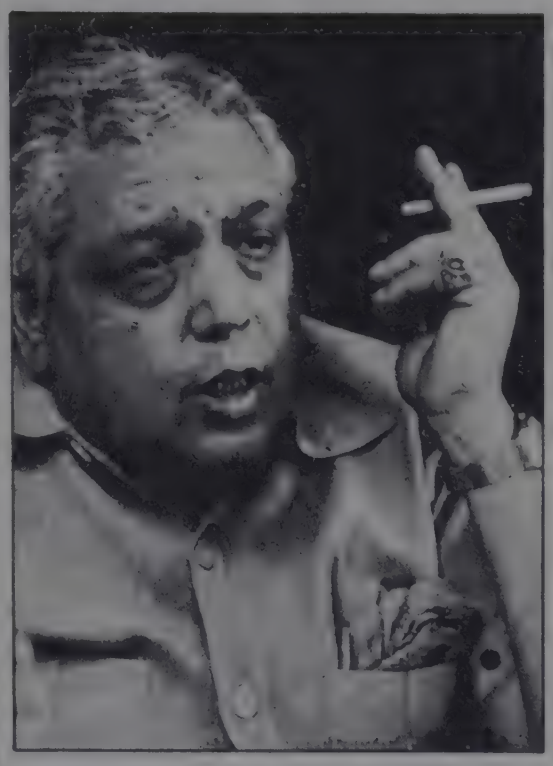
Come a rights issue, and the bears are out in full force.Their strategy is to beat the price down while the company tries to support it.There must be a loser and so far, aside from the managements with money muscle, it has always been the company.

But such skirmishes may now be a thing of the past. With the new regulation issued by the finance ministry in a letter dated 16 March 1989 to all presidents of stock exchanges in the country, this speculation and manipulation is bound to reduce, if not end.

The notification states that the scrip of any company coming out with a rights issue will be put under the "spot" (cash) transaction list from the time the share starts quoting ex-rights till the first settlement period after the closure of the issue. This share market jargon may need some explanation. Consider an example: A company 'X' is coming out with a rights issue at a premium of, say, Rs 30. Usually, the market price of the share will be at least 75% or 100% above this price — say around Rs 70-80. The rule is that the old and the new shares of a company are to be quoted "pari passu," meaning the difference between the two will be the difference in the dividend earned on the two scrips.

Balanced price. The bears instantly see a chance. It is logical to suppose that the price of the new share will go up and that of the old share will come down to attain a balanced market price. To this situation add the fact (which is nearly always true) that a company's management will try hard to increase the market price to widen the difference between the old shares and the rights shares and make the issue more attractive to the investor. In this charged atmosphere it makes sense for the bears to enter the market because of the natural upward movement of the price of the new shares and the forced downward trend in the price of the old ones once the management stops supporting the share.

The bears indulge in 'forward' selling (blank sales without possessing the shares). They can do it for a certain period and only pay what is called margin money. But that is not all. The actual shareholders of the company also see a 'profit' chance. If they sell part of their existing holdings at a higher price and subscribe to the rights, their gains will be supernormal. So, they too start selling. One of two things can then happen. The company's management could succumb to the pressure and let the share drop. Or it could do an Ambani or Oswal act and get aggressive.



BHASIN HOPES THE BEARS WILL BE COWED

This aggression involves buying up every single share that is up for sale. The result is a mini-crisis in the scrip. It turns into a major one when the management demands delivery of the shares it has bought. The bears now run for cover. They do not have the shares.

So, in the process, the management makes a killing and ensures the success of its issue too. It has happened before. In the case of the JCT rights two years back, a certain broker was asked by the management to buy, buy and buy. He bought and the bears happily sold. At the end of it, the price of JCT had gone beyond Rs 80 and the bears felt the squeeze.

This is the kind of thing the finance ministry's notification is supposed to stop, but it is not yet all over. Take recent cases. JCT is again coming out with a rights. Within a week or two the scrip jumped from Rs 75 to Rs 125. The bears came in. The price came down to Rs 104. Then it went up again to Rs 110. The rigmarole has started.

But will putting the scrips in the spot section help? Yes, claim the brokers (obviously, they are all bulls). Says Harish Bhasin, DSE president: "Now the bears will not be able to short-sell and the managements will have to pay the full market price if they want to maintain the scrip price. So, the managements will have to have a lot of cash to do what they have done before." Sounds right?

Wrong. What Bhasin does not say is that managements can start supporting the price months before a rights is announced. That way they can start mopping up the floating stock in the market. The bears, knowing there is a chance to make a killing, will hold back because of the new regulation. So, who gains? The management, all the way.

The same thing happened during the recent rights issue of Rs 350 crores of Oswal Agro Mills Ltd. As the bears started hammering the share (it lost Rs 10 in a single day), the scrip was put in spot trading. The bears backed out. The management now had to only deal with genuine investors who wanted to sell. This was not difficult. But Abhey Oswal, the smart marketman that he is, went a step further to stall even this selling pressure. He managed to organise banks to give loans for subscribing to the rights issue. And the loans were given right there and then against holdings in Oswal Agro. The issue was oversubscribed. Full points to Oswal.

In the coming days, events will prove whether the regulation manages to put a stop to these speculative deals. Bhasin is confident it will. But, ultimately, the bears will find some other way. As will the management bulls.

■ *Alam Srinivas*

FICCI RECIPE FOR FUND-RAISING

The Federation of Indian Chambers of Commerce and Industry (Ficci) has suggested that Indian companies should be allowed to float shares in foreign financial markets.

Unless this was done, the private sector would be unable to raise the foreign exchange it needs to sustain the rate of investment during the next plan, Ficci recently announced.

The federation also had some procedural suggestions to offer. These include the simplification of foreign investment procedures, and the single window clearance within a specified period.

Ficci also suggested that industries should be classified according to their technological level, and that this classification should determine the extent of equity the companies can raise abroad. The need to evolve a viable policy on royalty rates was also emphasised by Ficci.

ELECTRONIC COPYING

The Planning Commission's sub-group on electronics has drawn up a plan to export 30% of the total production of electronic goods over the next few years.

In order to make such an enormous export drive workable, "revolutionary changes" will have to be made in policies, the group suggests. These include special benefits for exporters who fulfil exceptionally high targets. These benefits, it is hoped, will "breed winners."

The high-export companies — designated Tiara — will qualify for wide-ranging concessions if the group's recommendations are accepted. Among them: exemption from Fera curbs, duty-free imports of capital goods, freedom from labour laws and credit against taxes.

Some of these suggestions inspire a sense of *deja vu*. Many of them were bandied about when the case for setting up free trade zones was being built up. The results particularly at Seepz — the first electronics export-processing zone — have been uninspiring. Will history repeat itself?

SWEET RELAXATION

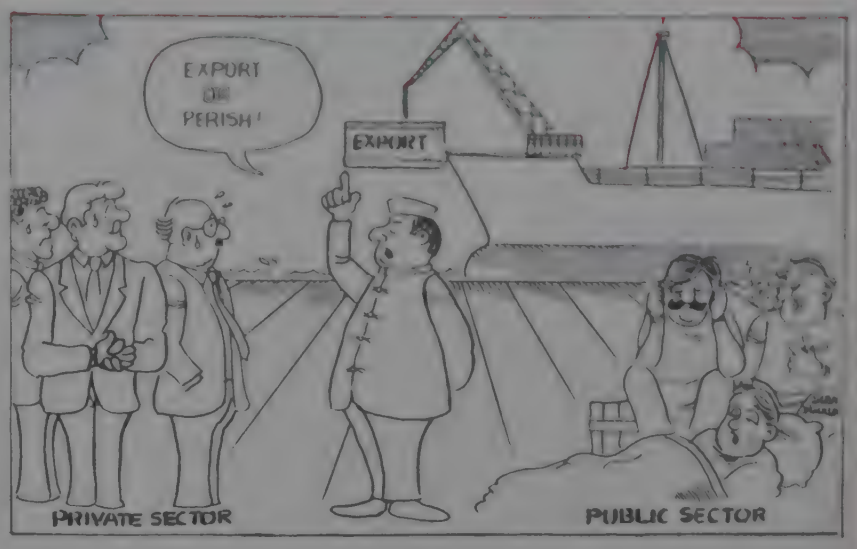
The government has relaxed the sugar licensing policy to facilitate the establishment of new sugar mills in backward areas.

According to Sukh Ram, the minister of state for food and civil supplies, licensing of new sugar factories in industrially backward regions would be permitted for an initial capacity of 1,750 tonnes per day (tpd). Such factories would have to expand their capacity to 2,500 tpd within five years.

The guiding principle for licensing new sugar units would be to ensure that enough cane was available, Sukh Ram added.

POOR SHOW BY PUBLIC SECTOR

The net profits of public sector companies under the Central government stood at Rs 2,183 crores in 1987-88. Of this total, the 13 petroleum enterprises earned net profits of over Rs 2,171 crores. Non-petroleum enterprises together earned only Rs 12 crores. However, this was an improvement over last year's net losses of Rs 371 crores.



According to a statistical review of Central government enterprises published by the Centre for Monitoring Indian Economy (CMIE), over the past 28 years, Bureau of Public Enterprises companies have earned net profits in 16 years, while making losses in 12 years. Between 1981-82 and 1987-88, these companies made profits every year.

However, the study says, despite the growing profitability, the dividend record of these companies has been nothing to write home about. The dividends of 61 dividend-paying companies formed just 7.8% of their equity capital — about half the average rates of dividend paid by the private sector.

Even more revealingly, the "export earnings of these companies constituted the lowest share (5.2%) of their sales turnover over the past 15 years," CMIE says. Does this mean that even government-run companies are unable to compete with "tailors and cobblers?"

THE PRICE OF DECONTROL

The effects of the recent decontrol of the price and distribution of aluminium are beginning to be felt.

The prices of aluminium ingots of both the electrolytic grade (EG) and commercial grade (CG) have gone up by Rs 2,000 to Rs 2,500 a tonne since 1 March.

A *Business Standard* report, based on the information from the Union mines department, notes that the increase effected by the four primary producers (Balco, Nalco, Indal and Hindalco) is intended to meet cost escalations not met by the price hike in November 1988.

SAVINGS-INVESTMENT GAP

The Associated Chambers of Commerce and Industry (Assocham) places the savings-investment gap during the eighth plan at Rs 43,000 crores.

In a study on the financial needs of the private sector, Assocham states that unless steps are taken to bridge this gap, growth could suffer during the next plan. The chamber has assumed a GDP growth rate of 6% a year. Industrial output has been estimated to grow at an annual rate of 12%.

Among Assocham's suggestions to meet the shortfall are: greater mobilisation of internal resources, steps to pep up the stock-markets and increased lending by financial institutions.

DCM: NEW MANOEUVRES

The DCM trifurcation drama is set for a new climax. The Bharat Ram faction has gained the upper hand following the acquisition of a substantial chunk of shares in the company

DCM's chequered history can perhaps be best represented by a chequerboard. Since the days of Lalas Bharat Ram and Charat Ram, the company has been the arena for a chess tourney. There have been moves and countermoves, stalemates and checkmates in the game for power and money. Today, the players have changed but the game remains the same. And the moves too are strikingly similar. But events in the past few months indicate that with luck, intelligence and the bloomers made by its cousins, the Bharat Ram faction may have managed to checkmate both Siddharth Shriram and Lala Bansi Dhar.

Today, the latter feel that their cousins (see family tree) are going to hijack the company. And there are reasons for this pessimistic view. Shriram Fibres, managed by Arun Bharat Ram, has bought up the DCM stake earlier acquired by Swraj Paul and Harish Bhasin. That totals to about 17.5%. In addition the Bharat Rams have turned buyers in the DCM scrip. According to sources, they now control over 21% of the equity. What's more, stockbroker Harish Bhasin, once Swraj Paul's hit man, is reported to have become the key advisor to Arun Bharat Ram and is the mastermind behind the complicated long-term moves of the faction.

There has been another recent twist to the quest for DCM. With the Supreme Court having rejected the special leave petition of the Delhi administration filed against the high court order to allow the closure of the Bara Hindu Rao textile unit, equations have changed.

WHY TRIFURCATE?

With the closure of the mill, the annual loss of Rs 10 crores is a thing of the past. Moreover, the fertiliser units in Kota (under the management of Bansi Dhar) have started making money. The sugar and the vanaspati units have always been profitable. Even DCM Data Products, which was a constraint on cash flow, has achieved a record turnover of Rs 3.5 crores in March and has even made marginal profits. Thus, DCM as a whole has become a cash generating company. The question that is being increasingly asked now is: why trifurcate at all?

This is an argument extended by the Bharat Rams to the financial institutions who hold over 43% of the company's equity. And, keeping in view the political connections of Vivek Bharat Ram, the institutions are gradually veering around to the view that trifurcation may not be such a good idea after all. These developments have unnerved both Siddharth Shriram and Bansi Dhar. This has led to a spate of leaks and squeaks. Bansi Dhar, who supports the trifurcation move, is known to have leaked the news that three separate companies are being formed to take care of the carveup. Sources close to Siddharth Shriram have constantly been harping on the theme that a lot of progress has been made on the trifurcation even though the Bharat Rams have been stalling.

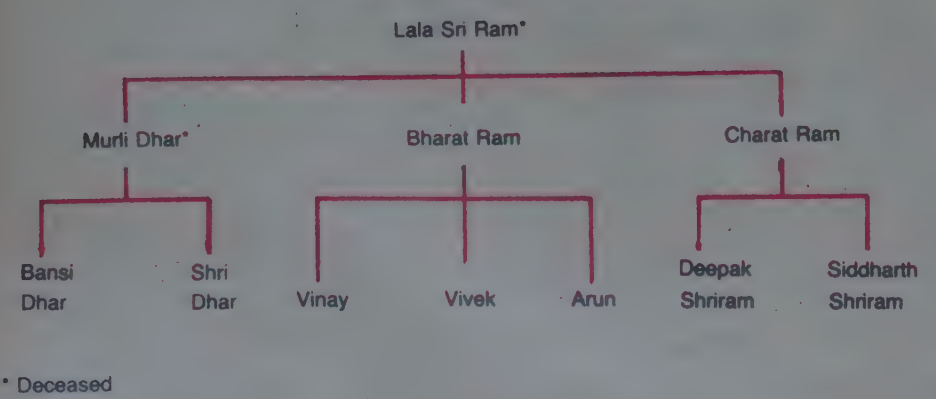
The shareholding pattern in the original trust company — MMLSR — has been reorganised last month. This trust, which holds about 8% in DCM and has substantial holdings in other engineering companies of the group, has become important in view of the trifurcation proposal and the intercorporate transfer of shares. The problem was that another cousin, Ashok Pratap Singh, and the two daughters of Shankar Lal (brother of Lala Shri Ram) had a substantial holding of about 45% in the trust. Last month the three DCM factions bought up this equity at a price of over Rs 3 crores. According to reliable sources, the money for the purchase was contributed equally by all the three factions.

That may appear to be a move towards trifurcation but in a way it could consolidate the Bharat Ram camp. It is well known that the Siddharth and Bansi Dhar camps are seeing ghosts behind every shadow. As one source in DCM jokingly remarks: "There is no serious work being done by both (Siddharth and Bansi Dhar) factions. What they are discussing is the future moves of the Bharat Rams."

STICKY WICKET

With reason. The Bharat Rams, aware that they are in the driving seat, have begun calling the shots. They have already categorically stated that the present scheme does not allow their units to become viable. (Under the trifurcation deal, Bansi Dhar was to get the Kota fertiliser complex, Swatantra Bharat Mills

THE SHRIRAMS



* Deceased

(SBM) and the Daurala sugar unit. The Bharat Ram faction had the Delhi textile unit, the DCM Data Products division and the foundry unit. The Charat Ram camp has Shriram Refrigeration, Shriram Honda, the vanaspati division and the Mawana sugar mill.) As a source close to Arun Bharat Ram says, "The trifurcation scheme was dependent on all the three portions becoming viable. We have found that unless a profitable unit or money is given to us, our units cannot turn around."

The initial demand was that the Bharat Rams should also be given the Mawana sugar mill that is supposed to go to the Siddharth (i.e. Charat Ram) faction. It was later agreed that they should instead get Rs 4 crores each from Bansi Dhar and Siddharth for a period of two years. This money was to be treated a loan to be repaid in five years. According to latest indications, however, the Bharat Rams, having tasted blood, are now demanding nothing less than Rs 28 crores. This money is to be paid over a period of five years and, remarkably, it is not supposed to be repaid. Obviously, the other two have refused. Alternatively, the Bharat Rams want Swatantra Bharat Mills (supposed to go to Bansi Dhar) as compensation. These mills, incidentally, are situated over 100 acres while the Bara Hindu Rao unit only has 63 acres.

The obvious question at this juncture is: how did Siddharth and Bansi Dhar get themselves on such a sticky wicket? Why do they have to give in to the Bharat Rams' demands at all. It seems that both Siddharth and Bansi Dhar failed to foresee future events and unknowingly placed the Bharat Rams in a powerful position. There was a deadline for buying up the shares offered by Swraj Paul. This was around mid-November. Thus, somebody in the family had to buy the stake at a fixed price as per the agreement signed with Paul. The Bharat Rams asked the others to chip in for the purchase. The two refused, citing lack of funds as the reason. However, it seems that the main reason for their refusing to put in the money was the lower price at which the DCM scrip was available in the market at that time.

The Bharat Rams realised the danger in not buying the shares. If Paul dumped his holdings in the open market, DCM could have become a takeover target again. And the interest shown by top business houses when the Kota complex's sale was announced was a pointer that there were predators lurking around.

So the Bharat Rams found the funds themselves. First, they went in for intercorporate borrowings. Second, they roped in leading builders — the Ansals — in their land redevelopment scheme. Earlier, only Kailash Nath Associates were involved in the land scheme. As per the agreement signed with the two builders and developers, both were to pay Rs 4 crores each. So, armed with the money, the Bharat Rams kept the deadline to buy Paul's shares. The shares were then pledged with the Ansals and Kailash Nath in lieu of the money given by them.

This left Siddharth and Bansi Dhar in a tizzy, and the two came out with a countermove. In a hastily called press conference, it was announced that the shares bought from Paul would be equally divided among all the three families. The Bharat Rams did offer some shares to the others, but because the actual shares bought were pledged with the builders, it was the old shares earlier bought by Shriram Fibres from Paul that were offered. The two refused to accept these shares.

BRILLIANT MOVE

Then came a brilliant move by the Bharat Rams which is the key to the present scenario. It was the brainwave of none other than Harish Bhasin, who is now the stockmarket and financial advisor to Arun Bharat Ram. Why not buy even the shares held by Harish Bhasin? Why not enter the market for more purchases? This would have a dual effect. One, market buying would push up the DCM scrip and the loss incurred in buying the shares could be transformed into profits, at least on paper. Two, armed with more than a 20% holding in the company, the Bharat Rams could control the whole company. Why share it at all?

Two questions crop up at this juncture. One, if Bansi Dhar and Siddharth Shriram were so apprehensive about the Bharat Rams, why did they not go in for market purchases? Two, what has been the role of the financial institutions in this family feud? To the first, there is a simple answer. Lack of money. But if it was a do-or-die situation, the money could have been arranged. The real reason is that by the time Bansi Dhar and Siddharth realised the game plan of the Bharat Rams, it was too late. At that point, any buying in the market would have only helped the Bharat Rams. As a source close to Bansi Dhar says, "Even if we had gone for market purchases, we could never have matched the shareholding of the Bharat Rams."

About the role of the institutions, sources in the Industrial Finance Corporation of India suggest that Vivek Bharat Ram has managed to put political pressure on them and get his way.

What way this will be is still not clear. But the current indications are that — going back to the chess analogy — the Bharat Rams have managed to convert a developing stalemate into a checkmate. It is left to be seen how the others can salvage the situation.

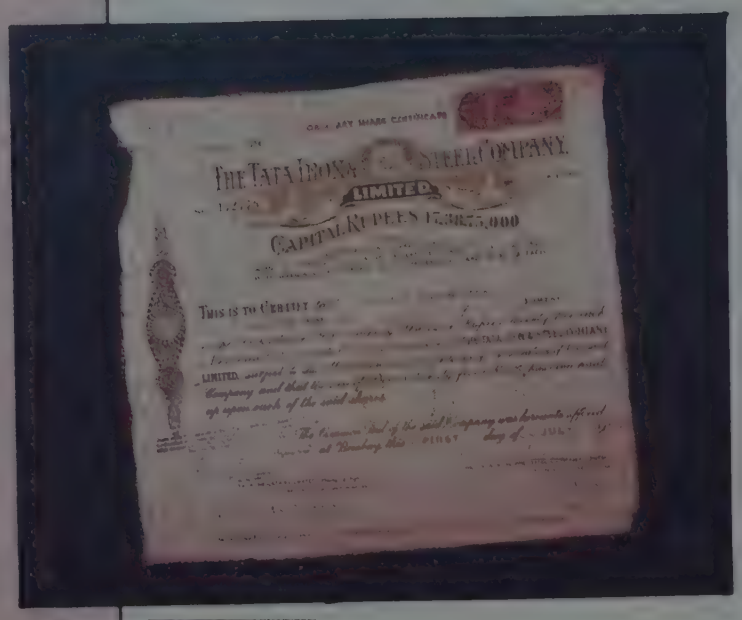
■ *Alam Srinivas*



BANSI DHAR IS FEARFUL OF DCM BEING HIJACKED

Once again, it is the institutions who will be the final arbiters. Will they abandon under political pressure the same trifurcation plans they had backed earlier?

TISCO, KING OF STOCKS



COVETED SCRIP

It may not be the best of shares. It doesn't have the cult following that Dhirubhai Ambani's Reliance generates. Nor does it have the zany image of superprofits that a Colgate-Palmolive, Bajaj Auto or Asian Paints scrip conjures up.

But Tata Steel is Tata Steel (or Tisco). It is the most traded scrip on the Bombay stock exchange (BSE), come hell or high water. In 1988, it turned over a gross trading volume of Rs 3,134 crores (1987 figure: Rs 1,524 crores). Runnerup Reliance was way behind with Rs 2,021 crores. And considering that Tisco's shareholder base is a sixth of Reliance's 1.7 million, that's no mean achievement.

"The widow's share is today the most active scrip in the stock exchange," observes Sunder Iyer, a Bombay stockbroker, in an obvious reference to the late seventies and early eighties when the scrip was often found languishing below par (current market price: around Rs 1,300).

BLOCKBUSTER ISSUE

The widow is in for merrier times. On the anvil is a blockbuster Rs 565 crore convertible bonds issue from Tata Steel that could raise all of Rs 620 crores (with oversubscription) at one go. That means the ongoing see-saw battle for the No.1 slot in terms of market capitalisation with Reliance could decisively tilt in Tata Steel's favour. On 11 April 1989, the company's market capitalisation figure of Rs 2,056 crores was well behind Reliance's Rs 2,320 crores. But a month earlier, on 10 March, it was the latter which lagged (Rs 1,879 crores to Tata Steel's Rs 1,964 crores). But, come October, when the debentures get converted to equity, it is the Tata scrip that will be king of the stockmarkets.

The Rs 565 crore Tisco debenture issue is certainly a landmark for the markets, for the Tatas and for shareholders and new investors

On conversion, Tisco's equity base could widen to a whopping Rs 230 crores from the present Rs 156.34 crores. And given an ex-rights quotation of Rs 1,200 per share, the market capitalisation could be upwards of Rs 2,700 crores. In the bargain, it would also displace Aditya Birla's Indo-Gulf Fertilisers as the company with the widest equity base (Indo-Gulf's base is Rs 165 crores).

But Tisco's reign in the stockmarkets has less to do with size than sentiment. Though Reliance and Century have been seen as market leaders from time to time, it is Tisco that cues the market more than the others. "This is primarily because Tisco is a blue chip in the real sense," says Ashit Kampani, a Bombay broker. It is not difficult to see why. Even when the scrip was sulking in the basements in the late seventies, it continued to be a barometer of the market's health. And today, with the scrip back in its element, the most heard query on the stockmarkets is: "What's (Tata) ordinary today?"

NO MARKET SINS

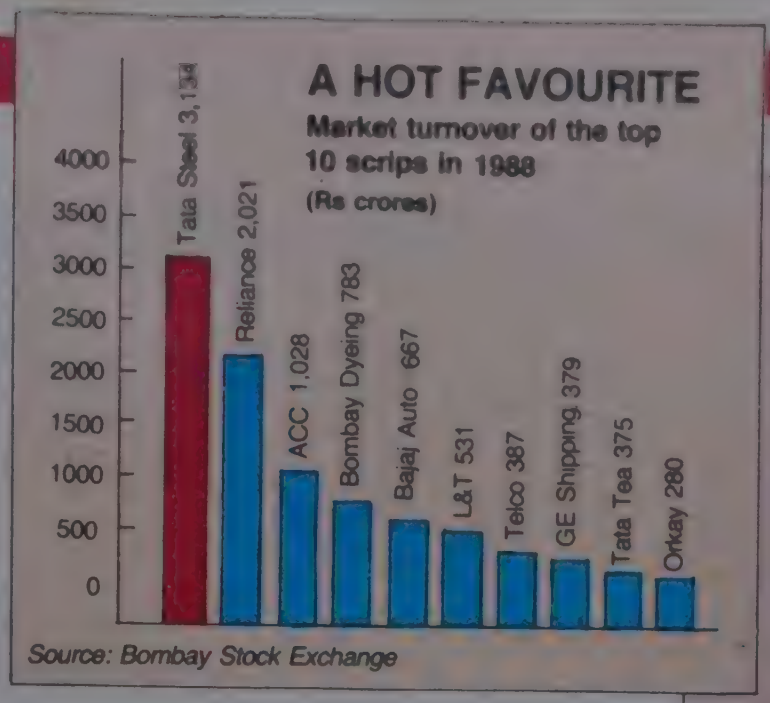
This pre-eminence owes not a little to the fact that Tata Steel has been one of the earliest scrips to be quoted on the Indian stockmarkets. But equally, the clean reputation of the Tatas has been a major factor responsible for keeping the Tisco scrip at the centre of trading. As Maneck Byramji of the stockbroking firm Lewis & Jones puts it: "The Tatas are honest, and the common investor is doubly sure that his capital won't be squandered away." Adds Ashish Guha, chief executive of Merwanjee Bomanjee Dalal, another broker: "The Tatas are probably the only industrial group known not to have indulged in share market sins — insider trading and pre-issue manipulations."

Being a blue chip without covert or overt insider support, the Tisco counter has its foundations strongly rooted in fundamentals. Regular dividends and intermitent bonus issues, including three in the last 12 years (1:3 in 1977, 2:5 in 1981, and 2:5 in 1988), have lent the scrip a basic strength. The Rs 100 share has a book value of Rs 450.22.

Sound fundamentals apart, there are even stronger near-term reasons to believe that 1989 will make the Tisco scrip bloom further. With chairman Russi Mody announcing that the company achieved new production records in the year to 31 March 1989 (with saleable steel output jumping to 1.944 million tonnes and sales to 1.73 million tonnes), the scrip is already attracting heavy interest. "Even at the current price level of Rs 1,300

plus, I get orders to buy," says Ashit Kampani (quoted earlier).

Even given these heartwarming results, there is little doubt that the stockmarket event of the year is likely to be the Rs 565 crore convertible rights-cum-public issue of debentures by Tata Steel. Dhirubhai Ambani could still have some surprises in store, but as of now he seems to have his hands full in stabilising the projects undertaken by Reliance Industries and implementing the new ones under the wing of Reliance Petrochemicals.



TWO OBJECTIVES

The Tisco debenture issue is certainly a landmark — for the markets, for the Tatas and, most certainly, for shareholders and new investors. It is not only the largest issue ever made in the country, but it also seeks to achieve two objectives that would normally be considered mutually exclusive: raising the promoters' equity stake while at the same time offering new shares to the public.

Of the Rs 565 crore debenture issue, Rs 205 crores will be fully convertible and the rest partly convertible. While the former variety will have a face value of Rs 600 and be converted into one share by October 1989 at a premium of Rs 500, the latter will have a face

TATAS & THE CONTROL FACTOR

The empire that Ratan Tata will inherit in the nineties as chairman-designate of the house of Tata, will look more like an empire than it now does. Reason: the loose confederation of today's semi-independent corporate satrapies will develop stronger interconnections in the near future.

There are already signs of that happening. The first clear pointer came when the Tatas decided to up their stake in ACC — a company that has traditionally been associated with their name — following the convertible debenture imbroglio which saw Nusli Wadia of Bombay Dyeing trying to muscle in.

But this was only the first obvious attempt by the Tatas to shore up the control factor in their companies. The process had, in fact, begun quietly even earlier in the group of companies under Darbari Seth's charge, where the Tata holdings have been raised to more comfortable levels to deter poachers (see *BW* Cover Feature, 4 Jan-17 Jan 1989). The current Tata bid to raise stakes in their flagship company Tata Steel (Tisco) to a respectable 8% is another indicator of this trend.

Non issue? Thus far, the control factor has been a non-issue in Bombay House, the the Ghq of the Tata empire, for a very simple reason. Unlike other business houses, the Tatas have always set great store by professionalism and it mattered little to them who owned how much equity in their companies. In fact, if the Tatas can be called a group at all, it is largely because of the towering personality of chairman J.R.D.Tata and the ethos of shared values among the group's professionals.

The net result of this relaxed attitude to share ownership has been that the Tata equity holdings in some of the giant companies like Tata Steel, Tata Power and Telco is today minimal. In Tata Steel, for example, the group holding is just about 4%, divided between Tata Sons, various Tata trusts and some investment companies. But in the changed economic scenario of takeover threats and political criticism of companies that are managed without adequate equity control, perceptions in Bombay House are apparently changing, too.

"There is often criticism that the Tatas manage Tisco on a very small stake," admits Russi Mody, chairman. "There are various historical reasons why this has been so. But it ought to be remembered that in the managing agency days it was the Tatas who kept Tisco afloat in difficult times," he adds, explaining why the lack of shareholding does not mean the Tatas have low involvement in the company. Nevertheless, the Tata decision to raise their stake in the company by providing for a special allotment of convertible debentures to group companies and associated organisations shows that they are doing their bit to deflect such criticism.

A second look. With big business no longer figuring in the government's copybook as Public Enemy No 1, the Tatas are taking a second look at the question of group cohesion without fear of attracting governmental flak. Bombay House insiders are at pains to underscore that this effort should not be linked to the so-called threat of takeover since the financial institutions will continue to back them fully, given their track record.

They may be right. But the move to double the stake in Tisco is the clearest indication yet that the Tatas intend to reinforce the group identity with something more tangible than merely shared values and that nice feeling of belonging to the country's largest industrial conglomerate.

"WE ARE HERE ON TRUST"

For Rustomji Hormusji Mody (71), the redoubtable chairman of Tata Steel, March 1989 brought both good news and bad. On the one hand, there was the ceremony at Rashtrapati Bhavan in New Delhi, where he was conferred the Padma Bhushan. But on the other, there was the tragic fire on Founder's Day at Jamshedpur on 3 March, in which over 50 people died. To Mody, who has been part of the Jamshedpur community for the last half-century, it must have been a great blow.

However, true to tradition, Jamshedpur has rallied magnificently. Production did not stop even for a day. And with the company's annual production performance in 1988-89 having been announced on 10 April, the financial results for the past year are expected to break all previous records. On the eve of Tata Steel's mammoth Rs 565-crore debenture issue, which will mark another watershed for the company, Mody took time off in the middle of a busy schedule to talk to BusinessWorld about the steel industry, about Tisco, and about his personal plans.

■ On Tisco's performance in 1988-89.

Last year, I had said that our performance reads like a Guinness Book of Records. I think this year, too, we shall be able to make a lot of proud claims. It will be the eighth consecutive year we shall have broken the previous year's records. As for profits, wait for end-June, when the financial results will come!

■ On the debenture issue and the significant additions likely to the Tisco shareholders' fraternity.

Since you want a quotable quote, I shall have to think carefully. (Pause). I think I have it: The acquisition by the public of an offer made by Tisco is not directly dependent on how the economy or the stockmarkets are doing. It is a vindication of faith in the Tata management. Nevertheless, since the economy is strong and the markets are doing well, I certainly expect the issue to succeed, and I hope that in future years we shall fully live up to the trust reposed in us.

■ On Tisco's ability to service the larger capital and loans.

The largest portion of our Phase III modernisation investment shall be from internal generation. My accounts boys keep talking about dividend and interest cover, and such other things which only they understand. But in the end, they nod their heads and say we should be comfortable. I suppose we should take their word for it. But, more seriously, given that we are compensated for price increases which are beyond our control (freight, raw material inputs), I see little difficulty in Tisco being financially on an even keel.

■ On the reserved quota for Tata companies in Tisco's debenture issue, which will push up Tata holdings to 8%.

This is a welcome opportunity. The Tatas manage Tisco because they started the company, and to date, it has done well. I have said before that we are here on trust — from the government, which is our largest shareholder, and the community at large. But if you remember, when Swraj Paul was launching his takeover bids, he'd said Tisco was an "interesting" company. Another public figure, very recently, talked of the Tatas' low shareholding in Tisco. The debenture issue is a good time to underline what we've always believed: that given the opportunity, the Tatas will never shirk from investing in a national priority sector.

■ On Tisco's future plans.

We've got a pretty full plate — over the next five or seven years, we shall invest some Rs 2,500 crores, including Rs 250 crores in our cement project. People keep asking me, do we want to take over this or that company. My reply is quite simple — there's no way we are going to be distracted from the task at hand. The Phase III programme is the most ambitious thing Tisco has done for many years, and our priorities are clear.

■ On steel pricing and government policy.

I am completely at one with V. Krishnamurthy (of Sail) in believing there should be complete decontrol of steel. Today, there are no shortages of steel — yet, Sail and Tisco are deprived of the full benefits because market prices for some products are often much higher than joint plant committee prices. However, I would protest against *partial* decontrol which may discriminate against this or that producer.

■ On the proposed private sector gas-based sponge iron and electric arc furnace complexes in the private sector.

A good thing. You can't keep building huge steel cities.

■ On his personal plans.

If I do retire, I may or may not miss work, but there are so many things to do — travel, cooking, music, sports, social work... But we shall cross that bridge when we come to it.



THE BIG GUNS

Market capitalisation* of the top 10 scrips in 1988

	(Rs crores)
Reliance	2,362
Tata Steel	1,688
Bajaj Auto	778
L & T	715
Hind Lever	686
Telco	629
Colgate	476
GSFC	401
Tata Chemicals	391
Century Enka	354

* Calculated by multiplying the number of equity shares outstanding with the market price of the scrip on the last trading day in 1988

Source: Bombay Stock Exchange

value of Rs 1,200, half of which will be convertible into one share. The Tatas' equity stake is proposed to be raised to 8% from the present 4% by a special allotment of Rs 120 crores of the partially convertible debentures. Shareholders and employees also get Rs 105 crores worth of these partial convertibles, taking their total to Rs 310 crores. The public gets Rs 100 crores of the partially convertible debentures, with the residual Rs 35 crores being reserved for some international financial institutions. Since the controller of capital issues is expected to allow the retention of oversubscription on the partial convertibles, the total amount raised could well be around Rs 620 crores.

While the rights issue opens in May, the public issue is expected to open in the second week of June, just as Tisco will be announcing its financial results for 1988-89.

With the first two phases of the company's modernisation programme having been successfully completed, there is every hope that the new third phase will confer very significant benefits to investors over the medium-term. In the near-term, with two steel price rises under its belt — one in December 1987, and the other in January 1989 — pre-tax profits for 1988-89 may well exceed Rs 190 crores. Thus, even after taxation and dividend distribution, there is likely to be a Rs 100 crore accretion to reserves, which should take net worth to well over Rs 800 crores. As against this, borrowings are in the region of Rs 600 crores.

If the balance-sheet is currently strong, the forthcoming debenture issue will actually lead to a significant addition to net worth — simply because the largest part of the borrowing will be converted into equity within months of the issue date at a very substantial premium. Thus, out of the Rs 565 crores proposed to be raised in the issue (excluding oversubscription), equity capital will see an addition of Rs 64 crores, and the share premium account of Rs 321 crores, while outstanding borrowings will go up by a mere Rs 180 crores. (With oversubscription, these figures will go up proportionately.) The net addition to the company's interest bill will, therefore, be around Rs 22 crores per annum, and dividend outgo on the newly issued equity an extra Rs 16 crores in a full year, assuming that the company maintains the payout at 25%. Even at present profit levels, the sums involved are fully manageable.

MODERNISATION INVESTMENT

After the debentures are converted, the company's equity would stand at Rs 220 crores (Rs 230 crores if 15% oversubscription is retained) and its reserves at about Rs 900 crores. Against the net worth of around Rs 1,100 crores, borrowings would stand at around Rs 800-850 crores. These huge sums must, however, be placed against the backdrop of the company's Phase III modernisation programme, which involves an expenditure of Rs 1,100 crores, with an additional Rs 1,050 crores to be spent on the ongoing rolling investment programme in the 1989-94 period.

Overall, therefore, the company proposes to invest about Rs 2,150 crores in its capital expenditure programme spread over the next five to seven years. Out of this total figure, Rs 565 crores (or more) will come from the debenture issue. Internal accruals, which are running at the very healthy level of around Rs 200 crores annually, are expected to account for at least another Rs 1,000 crores. Additional borrowings, if any, may thus be a very restricted figure.

These expectations are, of course, relevant in the context of the government's overall policy for the steel sector. The public sector Steel Authority of India (Sail) is also currently in the middle of a massive modernisation programme, and the government is adequately compensating the integrated steel plants for rises in input costs. The most important point for Tata Steel, however, is that internal

An important element in Tisco's modernisation is that it has managed it without letting capital costs play havoc with viability

TATA STEEL'S PERFORMANCE

	9 months to 31 Dec. 1988	Year ended 31 March 1988
Production of salable steel	1,429,000t*	1,914,400 t
Sales	1,193,000t**	1,582,000 t
Sales & other income	Rs 1,257.36 cr.	Rs 1,526.78 cr.
Gross profit	Rs 201.67 cr.	Rs 186.13 cr.
Depreciation	Rs 65.16 cr.	Rs 73.98 cr.
Profit before taxes	Rs 136.51 cr.	Rs 112.15 cr.
Taxes	Rs 21.00 cr.	Rs 20.00 cr
Profit after taxes	Rs 115.51 cr.	Rs 92.15 cr.

*The figure till March 31, 1989 is 1,944,000 t
** The figure till March 31, 1989 is 1,730,000 t
Source: The company

The only major blot in Tisco's track record is Ipitata, a sponge iron venture. With net worth negative, options like a merger are being considered to rescue Ipitata

accruals may actually rise if production shows a steep-increase (perhaps 0.3 to 0.5 million tonnes) in about three years' time through higher capacity utilisation.

A brand new blast furnace is being imported from Portugal, which is cutting steel capacity in line with an EEC decision. This specific project is working out nearly Rs 100 crores cheaper for Tata Steel (against an actual cost of about Rs 180 crores), and the blast furnace's Italian manufacturer's guarantees still apply (the furnace was never unpacked and actually commissioned). In other words, Jamshedpur has pulled off a coup of sorts that will benefit shareholders in the long run.

PACE SETTER

The main benefit of the Phase III modernisation programme will be an addition of 1 million tonnes per annum (tpa) to steel capacity, which will translate into roughly Rs 900 crores of additional turnover at current price levels. With an ongoing capital expenditure programme spread over the entire decade of the eighties and projected to continue into the mid-nineties, the company could, with a little exaggeration, be said to have virtually a state-of-the-art plant. In the process, it would actually have doubled salable steel production from 1.5 million tonnes in 1980-81 to an expected level of 3 million tonnes in 1995.

As against this, Sail's modernisation of its Rourkela or Durgapur plants involves the spending of like amounts (Rs 3,000 crores each), but production in these steel towns would remain at around 1.6-1.8 million tpa. The net effect of the government's long neglect of Sail — and the belated efforts to make it more profitable by rejigging the pricing policy — has been that Tata Steel gets the biggest payoff. And if prices are decontrolled, Tata Steel could benefit even more.

All this augurs well for Phase III, which will help Tisco achieve a better balance between round and flat products in its product-mix, currently weighted in favour of rounds. This should help Tisco gain further in terms of market strength and (perhaps) profits. If things pan out, the payback period for the company's huge investment in Phase III should be 3-4 years — excellent for a capital-intensive industry like steel.

In addition to the Rs 2,000 crore plus modernisation and expansion of the steel works, Tisco is also undertaking its long-delayed Rs 250-crore, 1.7 million tpa portland cement project. Granulated slag, currently a waste product, will be a chief raw material. When originally mooted in the early eighties, costs were estimated at Rs 140 crores. The delays have ended up in a Rs 110 crore cost escalation. Nevertheless, Tisco executives are very bullish. "The eastern region is deficient in cement and we shall have the advantages of location," they say. And as far as the current market glut is concerned, a few years hence this will disappear.

The great achievement of Russi Mody and his team has been to make Jamshedpur run at 100% capacity, but Tata Steel does give critics some cause for comment. For example, some of the new units which have been acquired by Tata Steel in the course of the eighties (Metal Box's bearings unit at Kharagpur, or Tata Davy) are taking too long to turn around.

GLARING FAILURE

Tata Steel also has another blot on its escutcheon in the form of Ipitata, the Rs 35 crore sponge iron project which it promoted in 1982 jointly with Ipicol of Orissa. Ipitata's Rs 12 crore equity issue was subscribed 26% by the Orissa state government, 25% by Tata Steel, and 49% (about Rs 5.88 crores) by the public. Given that the public issue was made under the aegis of Tata Steel, market expectations ran high, and the failure of the Ipitata project (so far) becomes all the more glaring.

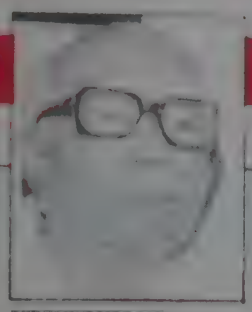
Ipitata made use of in-house technology for its coal-based, 90,000 tpa sponge iron plant. Much was made of the fact that the knowhow was totally indigenous, and that the outgo in foreign exchange would be negligible. As things turned out, the technology did not stabilise, and as at the end of December 1987, losses had mounted to Rs 16 crores, well over the Rs 12-crore net worth. The 1987 balance sheet shows that a Rs 4 crore interest-free loan from Tata Steel has been added to the Rs 30 crore borrowings from the financial institutions, but production in that year was only around 11,000 tonnes, just 12% of capacity. While both production levels and realisations may have improved in 1988, the

TATA STEEL'S MODERNISATION PROGRAMME

Phase	Years	Cost	Chief facilities added/ modernised
I	1980-83	Rs 225 crores	LD shop, billet caster, VAD furnace, bar and rods, lime calcining plant & oxygen plant
II	1984-89	Rs 847 crores (including rolling programme)	Continuous casting, bar & rod mill sinter plant, blending yard, coke oven battery, 60 Mw captive power plant, collieries
III	1989-94	Rs 1,100 crores plus Rs 1,050 crores for rolling programme	Blast furnance, LD convertors, slab carters, strip mill, oxygen plant, expansion of iron ore mines

Source: The Company

EMOTIVE VALUE



NOSHIRWAN IS A TISCO PARTISAN

If there were more shareholders like septuagenarian Noshirwan Jehangir Jhaveri, a World War II veteran, Tata Steel would not be the country's most traded scrip. In holding on to his clutch of Tata Steel shares, Jhaveri has displayed a tenacity that would, no doubt, have served him well in war-time. "Even when I was hard-up, I never resorted to liquidating my investment in Tisco," says Noshirwan, a Bombay-based retired businessman who has accumulated close to 200 Tisco shares 40 years after he made his first investment in the company.

Does the current share value of Rs 1,300 tempt him to sell? Noshirwan's answer is an emphatic "no."

Identification. There are several hundred Noshirwans among Tisco's stable of 2.8 lakh shareholders, especially in the Parsi community. "For many Parsis," says a Bombay stockbroker, "investment in Tisco shares is akin to identifying oneself with the vanguard of the community," not least because the Tatas are strongly identified with the community. Apparently, apart from a market value, the scrip also has an emotive value.

But that doesn't mean there aren't hard-headed reasons for latching on to a Tisco share. Stockbroker Ghanshyamdas Biyani got so attached to it last year that he kept an outstanding position of nearly Rs 8 crores in the scrip — enough to get himself expelled from the Bombay stock exchange for overtrading.

The Tatas themselves seem to have exhibited less of a fetish for their flagship scrip despite giving their solid backing to the company. For example, the share certificate pictured on our cover, was originally owned by the late R.D. Tata (J.R.D. Tata's father), among others. It has now found its way into the hands of the hoi polloi.

company may still see a very substantial additional loss in its next balance sheet.

Tata Steel has been forced to swallow its pride and call in Lurgi, the international specialists in coal-based sponge iron plants, to help in stabilising Ipitata's technical processes and improve capacity utilisation. An agreement has been signed, which may involve both hardware and software, but the additional capital costs may not be very substantial (perhaps around Rs 6 crores). At any rate, Tata Steel is clearly committed to nursing Ipitata back to health. Besides the fact that Jamshedpur's public image is at stake, the company has self-interest to think of as well — it is a major customer and has pledged to pick up half of Ipitata's output.

Tata Steel recently committed itself to buying out the Orissa government's equity stake, and this would make Ipitata a subsidiary. This has given rise to some speculation that the company may soon be merged with Tata Steel. While company bosses would not like to comment on the subject, a merger is not ruled out as otherwise Ipitata shareholders would have to wait for long to get any returns while the company is being turned around. But then, given Ipitata's huge losses, the very large number of small shareholders who are holding equity with a total face value of Rs 6 crores in the aggregate, would get a rather raw deal after the accountants have done their sums. In case a merger is decided on a possible ratio being talked about is one Tata Steel share of Rs 10 (i.e. after the present Rs 100 share is split into Rs 10 shares) for seven shares of Ipitata.

An alternative solution would be for Tata Steel to make an offer to buy out the entire equity in the hands of the public, just as it has bought the Orissa government's stake. The price at which such a transaction could be effected would be a point of contention.

Having a sick unit on its hands, however, is nothing new for Tata Steel. In the early eighties, it made a string of takeovers and acquisitions of ailing units — Special Steels, the Metal Box bearings unit, Tinplate Co., Davy Ashmore (now renamed Tata Davy), and Indian Tube (a former Tisco subsidiary which was later merged). Today, such acquisitions, however related they might be to the company's main business of steel, will have a lower priority compared to the task of successfully completing the Phase III modernisation programme, on which the company's entire future depends. Senior executives, including chairman Russi Mody (see interview, p.44), are quite clear that they have a very full plate. Indeed, Tisco is currently investing more than perhaps any other private sector company, not excluding Reliance — and the only "extra" it is willing to think about is the long-talked-about cement project.

A plateful of investment plans means a plateful of possibilities for Tata Steel investors and the stockmarkets. And the expected success of the jumbo debenture issue will underscore the unmistakable fact that in the game of wooing the Indian investor, the *grande dame* Jamshedpur has more time-tested attractions than many bold and pushy entrants who arrived on the scene later.

■ *Subrata Roy & A.H. Ghani*

In obtaining a brand new blast furnace at second-hand rates from Portugal, Tisco has pulled off a major coup, saving Rs 100 crores in the bargain

MUL OFFSPRINGS DISAPPOINT

The offsprings of Maruti Udyog Ltd. (MUL) were initially expected to have as cushy a position as the mother company itself. The various joint venture ancillaries were supposed to show profits from day one. The price formula settled with Maruti not only ensured a fair return on investment but also took care of escalations in the cost of imported raw materials. Hopes were raised high when Sona Steering reported a net profit of Rs 31 lakhs for the seven-month period ended 30 April 1988. Bharat Seats Ltd. (BSL) also reported a net profit of Rs 1.65 crores before going public.

However, results announced by Asahi India Safety Glass (AISG) and subsequently by Bharat Seats have made it clear that not all Maruti joint ventures will make profits. Interest and depreciation charges make all the difference. While AISG has reported an operating margin (the ratio of profit before interest and depreciation to total income) of 28.7%. BSL's and Sona's operating margins are comparatively lower at 18.2% and 20% respectively. Yet, of the three, only Sona has reported profits. This was due to lower interest and depreciation charges.

Interest charges depend on the escalation in project cost and the means of financing it. When the estimated project costs of these ventures are compared with actual costs as per their annual reports, we find that that BSL was able to complete its project within estimates. But in the case of AISG, there was a cost escalation of about 17%. Sona's actual costs are not strictly comparable as the second phase of its project was expected to be completed by the end of 1988 and no figures are available.

The means of financing also affect the interest cost. AISG's project cost was financed by a higher debt-equity ratio of 3.8:1. BSL's and Sona's debt-equity ratios were kept at a lower 1.5:1.

Besides cost escalation, a high foreign currency loan (FCL) content also pushes up interest costs in view of the declining value of the rupee. AISG and Sona had an FCL content of Rs 1.75 crores and Rs 1.55 crores respectively in their cost estimates, while BSL took only rupee loans.

The working results of AISG and BSL indicate a net loss of Rs 1.41 crores and Rs 0.94 crores respectively. Both of them provided depreciation under the written down value method. The rates under this method are 2.8 times higher than the straight line rates of depreciation. It would thus be worthwhile to take a closer look at the performance of the three companies.



Although it initially seemed that the joint ventures of Maruti Udyog Ltd. would do well, they have not lived up to their early promise

Asahi India: AISG's scrip was firm at around Rs 48 even after the results were announced. Its quotation is the highest among all Maruti joint venture scrips. Its working for the year ended 30 September 1988 would have resulted in a net profit of Rs 67 lakhs against a net loss of Rs 1.41 crores had it provided for depreciation on a straight line basis. To conserve resources for expansion and to avoid book profits tax under s.115-J, the company went in for the written down value method. By March 1990, savings in tax liability will be around Rs 50 lakhs.

AISG started its operations on a three-shift basis from the very beginning. For the 15-month period ended 30 September 1988, it produced about 2.5 lakh sq metres of tempered glass. The capacity utilisation works out to 96% (annualised 77%). In line with Maruti's expansion plans, AISG is expanding its capacity by about 70%. To bring down the debt level, it may approach shareholders again.

During the first four months of the current year, AISG's sales (at Rs 5.19 crores) rose by 117% over the corresponding period of the previous year. However, with accumulated losses of Rs 2.01 crores, dividend chances are bleak for the current year.

Bharat Seats: BSL's public issue in August 1988 was oversubscribed by about two times. Before the issue, BSL made a net profit of Rs 1.65 crores for the nine-month period ended 31 March 1988. However, the company's working in the next nine-month period ended 31 December 1988 resulted in a loss of Rs 2.87 crores due to higher depreciation and interest charges. BSL had stated in its prospectus that it would be able to pay dividend within a reasonable period as it was already making cash profits. For the nine months ended 31 March 1988, it had made a cash profit of Rs 2.21 crores. But for the next nine months ended 31 December 1988, it made a cash loss of Rs 0.24 crores. It could not declare a dividend for the 18-month period as cash profits are not relevant to the bottomline. The key figure is net profit and the result was actually a loss. Considering that the issue was made last August, should not the investors have been told about the possibility of a loss?

Sona Steering Systems: Despite a higher project cost compared to AISG and BSL and a lower operating margin compared to AISG, Sona was the first to report a profit. The company is meeting the full requirements of MUL for steering gears assemblies. In the second phase of its project, it will manufacture various types of screw steering gear assemblies. This will enable it to cater to the needs of various light commercial vehicles (LCV) manufacturers besides Maruti. With the LCV market growing by about 15% per annum, Sona's prospects are reasonably good. However, overall, the Maruti joint ventures have failed to live up to their early promise.

■ *M.C. Ved*

ASHOK LEYLAND

STEPPING UP PRODUCTION

The current year's prospects for Ashok Leyland Corp. Ltd. — the Madras-based manufacturer of heavy duty commercial vehicles, now belonging to the Hinduja group — are quite encouraging.

Demand for commercial vehicles is picking up. Last year (1988), the company produced 18,689 commercial vehicles (as compared to 16,347 in 1987) indicating capacity utilisation of over 81%. Considering the rising domestic demand and the efforts of the non-resident Hinduja group to open up export outlets, production is expected to exceed 20,000 vehicles this year.

The company has, technically speaking, an installed capacity of 40,000 vehicles because of its earlier expansion programme. If demand goes up, the management is in a position to push up its production beyond 25,000 vehicles a year.

Again, the engine division is doing well. The company has secured a bulk Soviet order for its Hino engines to be fitted to Soviet bus and truck bodies.

The company, now associated with Iveco of the Fiat group, is also considering a proposal to manufacture passenger cars.

If the first quarter (January to March 1989) performance is any guide, turnover during the current year will exceed Rs 600 crores and the gross profit is likely to reach Rs 50 crores. Shareholders can expect a further rise in dividend which was raised by 3% to 21% last year.

SAE

PRESSURE ON MARGINS

The turnover of SAE (India) Ltd. — an erstwhile Fera company engaged in the manufacture of transmission line towers — will cross Rs 100 crores in the current year ending 31 December 1989.

Although the indigenous transmission line tower industry is facing competition from Soviet imports, the order book position of SAE, the undisputed market leader, is quite healthy. The government decision to import transmission line towers from the USSR for its various power projects will not affect the sales of SAE as it has secured sizeable orders. The competition, however, may end in reduced margins.

The decline in profits is, however, unlikely to have any adverse impact on dividend, which was maintained at 25% even on the enlarged capital following the 3:10 rights issue.

CAMPHOR & ALLIED

BONUS CHEER LIKELY

There are good tidings for the shareholders of Camphor & Allied Products Ltd. — the country's leading manufacturer of camphor which has now diversified into agrochemicals. The company is likely to come out with a bonus issue soon.

Camphor & Allied has put up a highly gratifying show for the 15-month period ended 31 March 1989. Though the accounts are under audit and will take at least 10 weeks more to be finalised, it is reliably learnt that turnover has advanced to around Rs 35 crores as against Rs 22 crores achieved in the previous year. The gross profit has shot up by at least 70%-80% from the Rs 2.18 crores recorded last year.

Not only has the company fared well on the camphor front, but it has also put up a very good show in the agrochemicals arena. Both the products of the company — fenvalerate (pesticide) and butachlor (weedicide) — have been well accepted in the market.

In view of the excellent performance, the management may consider a bonus issue. Incidentally, the company's reserves are more than double its equity capital. The last bonus was way back in 1982.

Companies this fortnight

(Rs crores)

	Ashok Leyland (year ending December)			SAE (year ending December)			Camphor (year ending December)		
	1986	1987	1988	1986	1987	1988	1985	1986	1987
Sales	392.88	428.49	527.85	51.43	70.05	78.09	15.26	20.10	22.25
Gross profit	14.16	21.74	35.44	1.90	6.17	5.58	0.64	1.67	2.16
Paid-up capital	21.39	21.39	21.39	1.80	1.80	2.37	2.51	2.60	2.60
Reserves	105.35	108.61	84.66	6.81	10.50	11.37	4.22	4.58	4.88
Gross fixed assets	207.39	225.95	230.12	17.68	18.80	20.12	11.72	12.07	12.45
Dividend (%)	16.00	18.00	21.00	12.50	25.00	25.00	10.00	18.00	18.00
Earning per share (Rs)	2.80	3.60	5.10	2.34	22.77	13.45	15.58	31.23	35.00
Paid up value (Rs)	10.00	10.00	10.00	10.00	10.00	10.00	100.00	100.00	100.00
Market price as on 15 April 1989 (Rs)			80.50			145.00			370.00



THE RASKIN OXYGEN ANALYSER

NEW PRODUCTS

■ Baroda-based **Raskin Oxygen Probe Systems** has developed microprocessor-based oxygen analysers in collaboration with Ceramtech Ltd. (Australia). Raskin's oxygen analysis system provides linear signals which indicate the percentage of oxygen (O2), and the presence of carbon monoxide to users. It also has alarms which signal high or low O2. These systems find applications in foundries and gas-based industries.

■ **Cadila Laboratories Ltd.** is diversifying into skin care products. These new products will be marketed under the brandname Cadil and will include bleach cream, face pack and cleansing milk. In future, Cadila's cosmetic division will expand its skin-care range to include moisturing lotion, cold cream and anti-pimple cream.

COMMISSIONED

■ Bitten by a dog? No problem. **Hoechst India Ltd.** has a solution. It plans to commence manufacturing Rabipur, an anti rabies vaccine, in October this year. It has already been marketing the product since January 1987. The plant, to be located at Ankleshwar in Gujarat, is the largest tissue-culture based plant and is being set up in technical collaboration with Behringwerke AG of West Germany.

■ **Indian Aluminium Co.**'s printed circuit board plant was commissioned recently at Nanjangud, Mysore. This Rs 14 crore diversification project has a capacity to produce 30,000 sq mts of professional grade boards. For knowhow, the company has tied up with the PCK technology division of Kollmorgen Corporation of the US.

NEW VENTURES

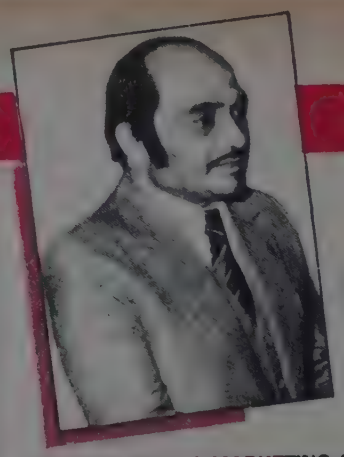
■ **Jalpac India Ltd.** has been promoted by the Jalan Tea group to manufacture metallised paper and film. They are used as packaging material for commercial and industrial products. The company is based at Haldwani in the Nainital district of Uttar Pradesh.

■ **Thermax Pvt. Ltd.** of Pune has tied up with A.W. Chesterton of the US to market advanced maintenance products in India. Thermax will market metal repair systems, split mechanical seals, and live loading programmes. The live loading programme is a valve and flange sealing concept for energy conservation and pollution control, and is vital in industries such as thermal and nuclear power stations, petrochemical, fertiliser and chemical plants.

■ **Richimen Synthetics Ltd.** is a new company promoted by G. Vittal of the Richimen group to manufacture synthetic fabrics. At a capital outlay of Rs 40 crores, the plant will be located at Kallakal village in the Medak district of Andhra Pradesh. Technical assistance has been provided by Toyobo of Japan. About 20% of the production will be exported.

AWARDED

■ M. Gopalkrishna, managing director of **Godavari Fertilisers & Chemicals Ltd.** has been conferred the Udyog Vibhushan award of the Institute of Economic Studies, New Delhi. The award presented to Gopalkrishna by the Union human resources development minister, P. Shiv Shankar was for his performance as a manager and promoter of industry.



AJIT SHAH BAGS A MARKETING AWARD

■ Ajit Shah has received the Udyog Shree award for his services in marketing. He is the vice-president of **Bajaj Electricals Ltd.** and recipient of the IMM-Toshiba Gold award as 'Marketing Man of the Year.'

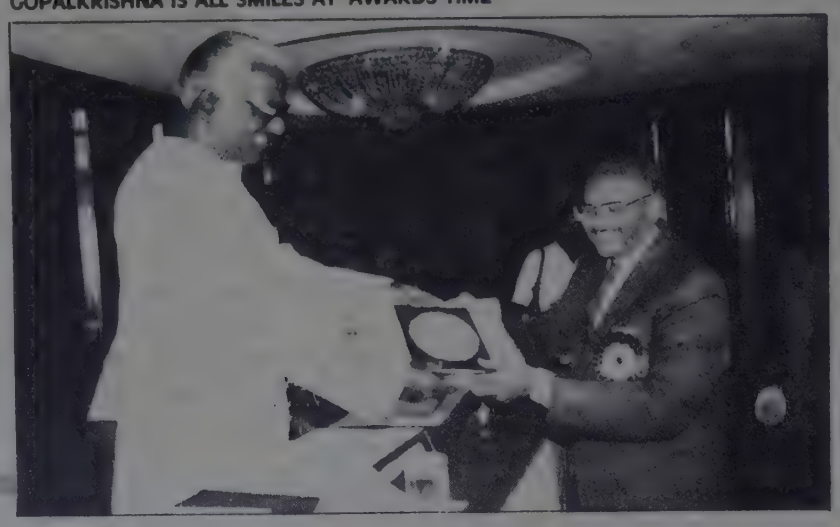
HALF-YEAR RESULTS

■ **Meher Pharma (India) Ltd.** has announced an interim dividend of 11% on a turnover of Rs 862.04 lakhs for the 10 months ended 31 January 1989. The company earned a gross profit of Rs 68.21 lakhs and a pre-tax profit of Rs 43.76 lakhs.

NEW ORDERS

■ **Crompton Greaves Ltd.** has bagged a Rs 16 crore order from Hindustan Zinc Ltd., Udaipur, for a smelter project at Chanderiya (Chittor). It includes supply of transformers, switchgear equipment, luminaries, capacitors, etc.

GOPALKRISHNA IS ALL SMILES AT AWARDS TIME



successful diversification forays into unrelated (albeit potentially profitable) lines like meat and leather processing for export, two wheelers, the distribution of blades and manufacturing paper and board. "We realised that resources and managerial expertise do not automatically ensure the success of new projects. The assessment of environmental factors having a bearing on new projects has to be more precise and pragmatic," said Samuel sometime back.

As a corollary, the traditional tea and coffee product lines — which account for well over 80% of the company's current annualised turnover of Rs 426 crores — will remain the mainstay and backbone of future expansion. This makes eminent sense since Brooke Bond is sitting pretty on handsome domestic market shares: 55% in packet tea, 65% in the mixed (i.e. with chicory) instant coffee market, 16% in the mixed roast and ground coffee market.

The element of continuity is further reinforced by Sabharwal's acknowledgement that pushing exports remains one of his primary priorities. In 1988, Brooke Bond earned for the nation foreign exchange worth Rs 42 crores, putting it in the top league of corporate greenback earners in this country. "We are aggressively revving up for exports," confirms Sabharwal. "What we are looking for is a quantum jump in three to five years. To achieve this, the emphasis will be on new products and new selling areas."

So then, what's new at Brooke Bond — apart from the boss? The answer, surprisingly, is plenty.



SAMUEL OVERSAW CONTINUITY WITH CHANGE

Granted that expansionist ambitions beyond the ambit of foods, natural or processed, have been well and truly dropped, new activity in the company is effectively symbolised by the creation of a department which spells the word 'new' in its name with a capital N: the New Foods Division.

BIGGEST PRIORITY

In October last, a development and application (D&A) laboratory was set up near Bangalore to develop processed and convenience foods for the Indian market. Unilever's international knowhow in processed food development is standing Brooke Bond in good stead here. This lab, supplemented by a pilot plant, has the full backing of the research and development (R&D) resources of Unilever Foods. This assurance was delivered personally by none other than Unilever plc chairman M.R. Angus, who journeyed to Bangalore last year to inaugurate the D&A unit — a clear gesture of support.

"My biggest priority now is to get the new foods thing right," says Sabharwal, spelling out his imperatives. A quick analysis shows why "getting it right" in new and processed foods is so important for Brooke Bond.

Take the company's bread and butter line: tea. Years ago, its managers had the foresight to build up brands rather than sell tea as a commodity. It was a slow, painful and expensive process, but ultimately definitely worth it. Today Brooke Bond's Red Label is a national — and international — bestseller. Besides, in India's 135 million per annum packet tea market, Brooke Bond has a seemingly impregnable market share of 55%. (Sister company Lipton is next in line with around 25%.)

Most importantly, a packeter adds value to the product, and added value means higher margins. Although divisional profitability figures are a secret, it scarcely needs brains to figure out how the company has been consistently strengthening its bottomline (see track record chart, p.59), despite the drag of writing off its loss-making diversification ventures.

And here lies the rub. There is a limit upto which the cash cow can be milked. In fact, overdependence on packet tea sales for its profits makes the company vulnerable in the sense that possible pricing or other regulations could have an adverse impact

CEO J.S. SABHARWAL WILL STICK CLOSE TO THE KNITTING





WHY YOU SHOULD BE EXC
A TYRE YOU'LL NEVE

The roar of a powerful Formula Car, if you're next to it, is an all-consuming experience.

You actually feel the roar of engineered Power pulsing through the very blood in your veins... and the adrenalin excites the senses.

But to us at MRF, it is a serious, sophisticated, hi-speed tyre-test machine. A unique way in which to TEST new tyre concepts to build better tyres for you.

At speeds close to 300 kms per hour, hi-performance tyres encounter extreme conditions of heat, temperature, traction and even molecular stablility! To MRF R & D personnel it's an opportunity to test various rubber compounds that can withstand these extreme conditions.

That's why MRF raced forward to be the first in India to make a Formula Car tyre.

To PUSH Rubber and Tyre capability to a real-life TEST. To probe for structural stability in ultra high-performance conditions.

And after each Adventure, that brave, solo Formula Car driver will pull of his helmet to discuss the behaviour of his tyres with on-track MRF R & D technologists.

New knowledge is gained on how Rubber compounds, tyre-structure, and technology behave under extreme stresses against gravity.

That knowledge is then translated into better materials and processes in the MRF Production-line: to build better, safer, hi-performance tyres for your city car.

Another race. One more Adventure towards new levels of tyre-technology. For you.

MRF TYRES: Flying solo
to new levels



ED ABOUT BUY.

s. MRF now makes Formula Tyres in India...
display here is the high-point in Indian Tyre Technology.
other First for MRF.

SIGN HIGHLIGHTS:
Ultra Low Profile
Compound Designed to 'Adhere' to the track
Slick – No Pattern (more contact – better traction)
Low Weight

ERATIONAL FEATURES
Wide Contact Patch Along the Axis
High Stability due to Low Side Wall
Low Inertia – High Manoeuverability

CHNICAL CHALLENGES IN TYRE DESIGN:
High Speed Structural Stability of Tyre Components
Low Weight
Absolute Traction

Front Fitment: 9.0/20.0-13
Rear Fitment: 14.0/23.0-13

EED CAPABILITY Upto 300 KMPH

MRF
TYRES
Tyres with Muscle

f technology: for you.

"BROOKE BOND WILL GROW AGGRESSIVELY IN FOODS"

J.S. ('Jati') Sabharwal joined Brooke Bond as a greenhorn management trainee in 1967 at age 21, fresh out of St. Stephen's College, New Delhi. Appointed as tea taster shortly thereafter, he experienced a meteoric rise through the traditionally placid Brooke Bond hierarchy. And importantly enough, those were the years before the company's growth and diversification drive — relentlessly masterminded by C.S. Samuel during his 11 years (1978-89) of leadership — opened up new career opportunities for its managers.

Against the odds, Sabharwal made it to the board in 1981. Shinnying further up the corporate ladder with great panache, he took charge as Brooke Bond's youngest ever (at 42) chief executive and managing director earlier this month. Shortly thereafter, exuding confidence and enthusiasm, Sabharwal sat for an exclusive and wide-ranging interview with BusinessWorld. *Excerpts:*

■ On his vision for the company's growth.

In the short to medium term, we have three broad priorities. First, we will continue to vigorously push our traditional business in tea and coffee. This is the core of the company. We are looking for growth both in volume and profits, and this growth will be the backbone of our future development.

Second, we are aggressively revving up our exports. In the calendar year 1988, Brooke Bond's exports totalled Rs 42 crores. Using value added tea as the base, we shall add new products — spices for example — and enter new geographical areas.

The third leg of our immediate growth strategy is to enter the processed foods and new foods area. The nationwide launch this month of Sona spices is the starting point. Further plans are still in the melting pot, but suffice it to say that we aim to capture upmarket segments by laying appropriate emphasis on packaging and marketing aspects. A full-fledged new foods division is in place.

■ On the overall diversification and growth strategy.

In the longer term, we will grow aggressively in the foods sector. We believe we have strengths in this area. We will remain close to the knitting. Unrelated diversification moves will be unlikely in the near future.

■ On his growth plans, when translated into numbers.

The least one can aim for is to double turnover in five years.

■ On the advantages of the Unilever connection.

A major advantage is that we can use Unilever resources, which are quite immense. Unilever has expertise in virtually every facet of corporate activity like international purchasing, research and development, management development, market research and so on. We can tap these benefits without having to reinvent the wheel.

■ On Unilever's impact on Brooke Bond's corporate culture.

The corporate culture which has evolved at Brooke Bond over these decades is one of commitment to the organisation, performance orientation, a sense of involvement permeating all levels and a constant striving to do better. This culture is its strength. There is no reason to doubt that it will be preserved.

■ On dealing with older subordinates.

One of the things that comes out very clearly is the feeling one can spread about being fair. This attribute gives one a tremendous tool as a professional: firmness is accepted without demur once it is known to be for a fair and professional purpose. What happens is that even hard decisions are not taken as impositions.

■ On his top priorities as chief executive.

My biggest priority now is to get the new foods thing right. More of my time will be spent on developing the future and energising the team to do better. Our growing traditional business does need a push too, but our infrastructure is well laid out to deal with its growth plans. One area which will receive my personal attention is modernisation.

■ On his personal work philosophy.

If there is a problem, I have always tried to find out ways and means to deal with it. To recognise a problem and then shy away from dealing with it is the beginning of one's downfall. Once the problem is identified, the next step must be to aggressively tackle it. In my professional career, I have never accepted something which is not good for the organisation and allowed it to fester.

■ On his message to his colleagues.

We've done well so far. Let's continue to work as a team so that we can grow further.





RUTTEN LEADS THE THRUST INTO FOODS

experience and market knowledge gained," explains Barua, who adds that Sona spices are unique in being recipe-led.

POLYPACKED SPICES

Its other unique selling propositions are guaranteed purity and hygiene. Thus for the first time in this country, spices are being sold in laminated polyester standpacks. "We are not aiming for the entire spices market, which in any case is huge — being thrice the size of the domestic tea market. Instead, we feel India's growing middle class which is both hygiene and quality conscious, provides a ready target audience for Brooke Bond products which have the reputation for providing value for money," he explains.

It is a sobering thought, though, that despite the size of the spice market, not a single all-India brand exists to date. Best-selling brands like Cookme or Everest are each essentially regional in character. This is entirely owing to the fact that despite its several attractions, the spices ballgame has one decided disadvantage: its ground rules singularly lack universality. Cuisines, palates, tastes and preferences vary from district to district even within the same state. To aspire to come out with blends which will sell in viable quantities off grocers' shelves all over the country seems somewhat daunting against this backdrop.

Top company managers use marketers' lingo to aver that they are "talking brands and not talking profits." "We are here to establish the brands," they say. Confirms Barua: "We mean to be in this (i.e. spices) business." Given the will to stick it out, there are no two opinions that Brooke Bond has enough resources to stalk out in its chosen cause of capturing an upmarket niche in a market otherwise dominated by the unorganised sector with uneven quality standards.

The outcome of the Sona launch — costing around Rs 1.5 crores, it is believed — will be watched with great interest. This is because it is hardly a secret that spices constitute the first leg of Brooke Bond's New Foods business.

Jati Sabharwal is the first person to admit that there are pitfalls galore in India's nascent processed foods industry. To start with, he says, it takes time to achieve organic growth. Another disadvantage he recognises is the fact that "too many players are rushing in" in this newly opened area. "Many will burn their fingers," predicts Sabharwal. His recipe for success: superior product quality coupled with perseverence, financial backing and marketing expertise. Brooke Bond has them all.

And to help him put in the ingredients of this recipe right, Sabharwal has a new-look team which draws fairly heavily on group (i.e. Unilever) resources rather than just in-house talent. Last year, two senior functionaries came in from the Lever fold: senior vice-president K.K. Nayar (50) and expatriate vice-president M.G.M. Rutten (39), who was last posted in the Unilever Meat Group, Holland. (Incidentally, Rutten heads Brooke Bond's all-important New Foods Division. Right now, he is home on furlough.)

The replacement of N.C. Roy has also predictably come from the Lever group: R.T. Narayanan has joined as vice-president (finance). Till the middle of last month, Narayanan was working in Madras as finance director of Pond's India.

HOW BROOKE BOND COMPARES

Company	Ranking	Net Sales	Pre-Tax Profit
		(Rs crores)	
Hindustan Lever	3	712 5	65 1
Brooke Bond	17	317 3	23 6
Lipton India	21	302 2	9 1
ITC	30	260 0	38 7
Food Specialities	60	145 6	14 5

Source Business Standard's 300 Corporate Giants ranked by net sales



Sona's nation-wide launch is being watched with much interest because spices constitute the first leg of Brooke Bond's new foods business

EXECUTIVE TEAM

Shiv Srivastava's impending departure means that yet another member of the original management team which had worked with Samuel will soon bid goodbye. Once he goes, Sabharwal's six-member executive team will be evenly balanced between three Brooke Bonders (Barua, M.M. Bhattacharjee, K.S.V. Sampath Kumar) and three Leverites (Rutten, Narayanan, Nayar). This is yet another index of change between the two regimes.

Well, time will take its toll and the muster at Brookefields, the 20-acre headquarters of Brooke Bond in Bangalore, will necessarily change. But be these changes as they may, Sabharwal will still have cause to be grateful to Samuel for having passed on to him at least one enduring legacy: a financially secure and low-geared company with excellent ratios to back up a strong balance-sheet. It speaks volumes of Brooke Bond's financial resilience that although several diversification investments bombed, the bottomline went unscathed.

"More of my time will be spent on developing the future," says Sabharwal. So well he might, given that there is nothing from the past that is likely to appear like Banquo's ghost to bedevil the future

■ *Sujoy Gupta*

AUTOMOBILES

TOYOTA'S GERMAN DRIVE

It was a quaint picture recently at the Hanover plant of the West German automobile company Volkswagen (VW): the frame was undoubtedly Teutonic but some of the characters in the picture were Oriental. German musicians belonging to the company orchestra banged at cymbals to produce Japanese tones at the inauguration of the first pick-up vehicle designed and constructed by VW at its Hanover plant under licence from the Toyota Motor Corp. of Japan.

The Toyota-VW offspring has two different names; the Germans call it Taro while the Japanese sell the same vehicle under the name Hilux. VW, whose headquarters are located at Wolfsburg, was represented at the inauguration in Hanover by its board of directors led by chief executive Carl H. Hahn. Toyota's president Eiji Toyoda, who was supposed to have attended the inauguration at Hanover, cancelled his visit at the last minute following the death of Emperor Hirohito and, instead, despatched Tatsuro Toyoda, a member of the Toyota board of directors.

German automobile experts see the significance of this project not so much in the number of pick-up transporters produced. Production of this model has been targeted at 7,500 this year; this number will rise to 15,000 a year by 1990. By then the investment programme of some DM 90 million for the assembly plant would have also been completed. The real significance of this collaboration, however, lies in the fact that Toyota is the first Japanese automobile manufacturing company to have established a manufacturing base in Germany.

Competitors' fears. Competing automobile companies in Germany make no secret of their nervousness and fears that the largest Japanese car producer might soon follow up this initiative by entering into car production. Tatsuro Toyoda seemed uncomfortable when the hordes of journalists at the Hanover inauguration pressed him for clarifications on future plans. His remarks, voicing hope of closer cooperation between the two companies were an obvious attempt to dodge such pointed questions and did little to allay the fears of competitors. "In Japan, Taro is a common name given to boys. Many parents name their eldest son Taro in the desire that he will grow up to be a healthy and cheerful person. Perhaps, this was also the intention of the workers of Volkswagen while naming the car. We from Toyota would like to join you in wishing Taro a healthy growth and a successful life ... as much to our Hilux," Tatsuro Toyoda wisecracked while addressing the audience at Hanover.



TARO, THE NEW PICK-UP TRUCK

The licence agreement signed in June 1987 between VW and Toyota for the manufacture of Taro provides that 10,000 of the 15,000 pick-up transporters targeted for production from 1990 will be distributed in the European markets through the Volkswagen-owned VAG organisation. The remaining 5,000 would be distributed through the Toyota distribution network in Europe and sold under the name Hilux. Furthermore, Toyota's plant in Japan will also supply up to 5,000 Taro vehicles which will be assembled there according to Volkswagen quality standards and which will round up the Taro series produced in Hanover.

Both Hahn and Toyoda described the market potential for vehicles of this type in Europe as "still very large" and capable of being developed further. At present, only 60,000 pieces of this model are sold in Europe every year, while the total number of such vehicles sold worldwide amounts to three million.

VW believes that it has discovered an untapped potential for commercial vehicles with the introduction of the one tonne capacity pick-up vehicle. This market segment, which is increasingly gaining in significance, is dominated by Japanese suppliers. In 1988, 80% of such vehicles sold in Europe were made in Japan. Juggling with figures, Hahn highlighted the market potential of pick-up vehicles: "The worldwide annual turnover of three million cars — 1.5 million of which are accounted for by the US — underlines the significance of this market, which will need to be developed ... the most sold single model

in the US is not a car but a pick-up!"

Toyota is the world number three car manufacturer while VW is number four. "Statistically ... we are number two put together. But let me assure you that such speculation would be completely unrealistic, if we were to indulge in it. As a result of this cooperation, Toyota is not going to be any less Toyota in the future nor Volkswagen any less Volkswagen ... on the contrary, both are likely to gain in terms of profiling themselves," Hahn emphasised. This rhetoric was high-pitched in the backdrop of unease expressed in the German automobile circles over the prospect of what is known in the local jargon as an *Elefantenhochzeit* — literally "marriage between two elephants," but figuratively referring to an alliance of two large-sized organisations. This alliance, it is felt, would enable Toyota to sell even more cars to the German motorists in the long term.

The Toyota-VW alliance is going to change the automobile landscape in Germany, even though the beginning is going to be a modest one. The present jubilant mood at VW is a far cry from the Cassandra cries of its managers in the past when no opportunity was lost in lashing out at the aggressive sales tactics of Japanese car manufacturers who have made deep inroads into the German market. Indeed, VW managers had even urged the German government to impose sanctions against the "Nippon peril" and introduce a special tax to safeguard jobs.

Changed tune. The tune has changed now. VW, the largest car maker in Europe, is also the first German automobile manufacturer to join hands with the Japanese on manufacturing cars on German soil. Toyota will clearly have advantages because with 60% of the spare parts for the VW-Toyota product coming from either German or European production, the export of its cars to other EC countries like Italy, Spain or France cannot be blocked. This is particularly advantageous for Toyota because these markets have not been easily accessible to Japanese automobile manufacturers.

France, for instance, has imposed an import limit of only 3% which is quickly exhausted. Italy allows only 2,500 cars from Japan annually while the stringent Spaniards have laid down the requirement of an official licence which, in practice, is not issued.

In other words, VW is helping Toyota establish itself in those EC countries which would like to prevent Japanese cars from entering and which, ironically, offer good business to VW's own products.

But what does VW stand to gain from Toyota in return? The German company, to start with, has lost its foothold in Japan. Nissan, VW's partner in Japan has been gnashing its teeth over the surreptitious negotiations with Toyota, which Nissan caught scent of only after they had been completed. VW, whose Santana car project with Nissan had proved to be a flop in Japan, is anxious to make a comeback in the land of the rising sun.

VW is helping Toyota establish itself in those EC countries which would like to prevent Japanese cars and which, ironically, offer good business to VW's own products

There is another good reason for producing the Taro at VW's Hanover plant. Because of plummeting sales, the blue and white collar workers at the Hanover plant have been going through uncertain times lately. The Toyota deal can change this situation. Gerhard Mogwitz, chairman of VW's supervisory board, mirrored the mood at the plant when he observed at the inauguration in Hanover: "We have welcomed this collaboration from the very beginning because it can safeguard some 300 to 400 jobs."

VW is finding it difficult to keep pace with its competitors in the commercial vehicles market in Germany and Europe. Trade unions have, in fact, welcomed the management's decision to expand VW's vehicle range. The German's obsession with free-time — leisure is considered an important integral part of work ethics — is bound to generate considerable interest in this commercial vehicle which is being projected as an ideal companion for the small German family.

Striking admission. But Mogwitz also openly admitted that Germans should "learn" from the Japanese. Coming from a leading representative of the workers, this admission is indeed striking. Apparently, Mogwitz was not trying to urge the German worker to work more — like his Japanese counterpart — but to improve the overall efficiency, particularly in the use of technology, where the Japanese have a clear advantage. "From the brief reports of our colleagues who were in Japan and who were also with Japanese technicians, we believe that both sides can learn from one another. That is better than describing one side as hard-working and the other as lazy."

VW is also keen to compete against the Japanese — this is an important goal of the collaboration. VW has calculated the risks it will face in collaborating with the Japanese and it has kept its scale of collaboration as low as possible. It is a "minimum level of cooperation," says a VW spokesman. The Hanover stratagem envisages a small-scale production whose failure could nevertheless be endured by the German automobile concern. On the other hand, if things work out well, the scale of collaboration could be expanded. VW managers readily cite the example of General Motors in the US whose successful collaboration with Toyota has prodded the Germans to toe the line.

However, VW is apparently also worried by the automobile industry's sharp criticism that the company was playing second fiddle to the Japanese and clearing the thicket of bureaucratic hurdles for the latter in establishing themselves within the European Community before the completion of the single unified market in 1992. Consequently, VW will have to keep an alert eye on its collaboration with the Japanese and, in return, demand that Toyota also lubricate VW's operations in Japan and facilitate its re-entry into what is euphemised here as a "closed market." Whether this *Elefantenhochzeit* will end in divorce or prove to be a strong alliance, remains to be seen.

■ *Manik Mehta*

JAPAN

RECRUIT FEELS THE TREMORS

The Recruit share-peddling affair has shaken the foundations of Japanese politics with its revelations of corruption at the top of the ruling Liberal Democratic Party and among senior bureaucrats. But the affair could also be the prelude to a shakeup in the business world.

The Recruit group, consisting of 28 companies with interests in information services, real estate and magazine publishing, has suffered a massive loss of confidence following disclosures of large-scale bribery by its founder, Hiromasa Ezoe. The group's accumulated bank debt of Y1.86 trillion (Rs 22,320 crores), may be too large for any of its member companies to be allowed to go bankrupt.

But dismemberment seems a strong possibility, with Recruit Cosmos Co., the real estate arm, being a prime target for takeover by a trading company or a rival real estate developer.

One popular rumour suggests the company may be merged with Sumitomo Realty and Development Co., a fast-growing condominium and rental office developer which has been a strong competitor in the middle and upper levels of the Tokyo housing market.

Pace slowdown. Whether or not a merger is arranged, Recruit Cosmos seems unlikely to be able to maintain its present dominant market share in the Tokyo area or continue expanding its business at anything like the pace the company managed to maintain up to the end of 1988.

Recruit Cosmos jumped from ninth to second position among the condominium developers contending for supremacy in Tokyo in a single year (1985) and has since moved steadily closer to Daikyo Inc., the long-established developer which holds the number one slot.

Recruit Cosmos' phenomenal growth, however, seems to have been achieved at the cost of overburdening the company with debt and of cutting a number of legal and administrative corners. Some of these have already landed the company in trouble with the Tokyo public prosecutor's office and media reports suggest that more irregularities may be uncovered.

Major city banks such as Mitsui and Sanwa and long-term credit banks such as the Industrial Bank of Japan and Nippon Credit Bank, which rushed to lend money to the company during the 1986-88 real-estate boom, now seem embarrassed at the extent of their exposure to the company and would probably be unwilling to step up lending much above present levels. A freeze on loans would mean a drastic contraction in turnover for the company, given the need to replenish land stocks which were depleted by very rapid condominium sales in 1987 and early 1988.

A second reason why Recruit's property business looks vulnerable to a collapse of public confidence is that the company stands to lose much of its edge in the "resale" market for completed condominiums where it held a virtual monopoly before mid- 1988.

Unlike other major housing developers whose business consists of acquiring land which is redeveloped and resold in the form of condominium blocks, Recruit Cosmos followed a dual strategy of developing land under its own name and of buying and selling land and buildings developed by smaller real estate companies.

The system gave the company a unique insight into market trends in the Tokyo area, and may well have enabled it to strike better deals on land purchased by Recruit Cosmos for its own development projects. But "proxy" development of this kind was costly — requiring the maintenance of a separate financing arm, First Finance, which raised money from city banks and re-lent the same funds at higher interest rates (and high risk) to smaller real estate developers.

The maintenance of a secondary network of companies acting as dummies for the main Recruit group also meant that the company had to be able to convince smaller companies of its own financial stability.

Borrowing unlikely. First Finance had the heaviest outstanding bank debts of the three main Recruit group companies when the Recruit Cosmos scandal broke in mid-1988. It now seems unlikely to be able to borrow much more, given the controversy surrounding the company's role in financing purchases of "pre-listed" shares in Recruit Cosmos for politicians and bureaucrats.

A plan for First Finance to strengthen its financial position by floating its shares on the Tokyo over-the-counter (OTC) securities market had to be abandoned in late 1988 after the OTC flotation of Recruit Cosmos began attracting controversy.

Even if the Recruit scandal had not brought the system of secondary finance tumbling down, Recruit Cosmos might have been unable to maintain the system in a declining property market, analysts suggest. Interest rates paid by First Finance on its borrowings from major city banks are believed to have been at least one-and-a-half points higher than rates charged to first-class Japanese manufacturing companies such as Toyota.

Spreads on refinancing loans made by First Finance to small real estate companies were another problem.

The company's margins are thought to have come under pressure with the weakening of real estate prices, making it progressively harder for the group to act as an intermediary between banks and smaller developers. A continuation of this process

The Recruit group seems headed for dismemberment having suffered a massive loss of confidence following the disclosure of large-scale bribery by its founder member Hiromasa Ezoe

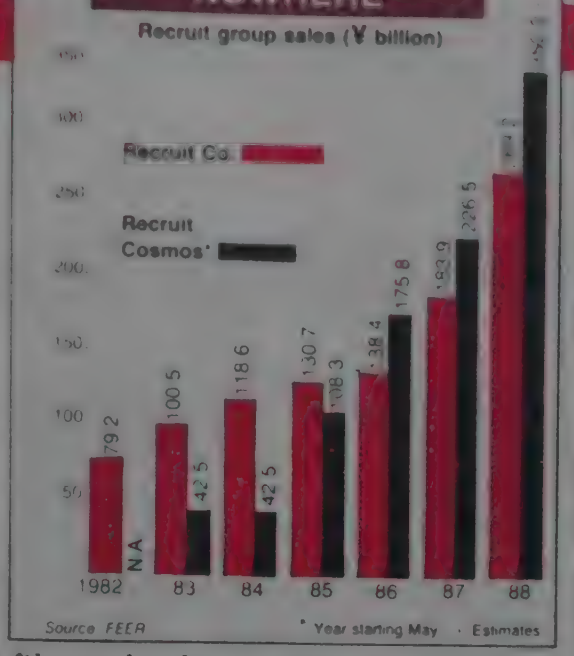
would knock away one of the main props supporting Recruit Cosmos' strategy of turning itself into an "integrated" real estate developer.

Recruit's other core business — the publication of job placement magazines — looks only slightly less vulnerable in the aftermath of the scandal. The job placement business originated as a virtual monopoly when Recruit's founder, Ezoe, realised after graduating from Tokyo University in 1960 that large companies operating in what was then a tight labour market needed a direct means of contacting graduating students to recruit as "life time" employees. But the job placement business, like condominium development, depends heavily on public confidence, which may now have been sacrificed. In any case, graduate recruitment has become less of an issue for major companies since the growth of the Japanese economy slowed in the mid-seventies.

Difficult ad sales. Recruit executives claim that the company's two main employment magazines, *Bing* (specialising in advertisements for jobs at large companies) and *From A* (aimed at part-time workers) have managed to hold their circulations since July 1988, though advertising sales have become more difficult. The rapid growth of a new job placement magazine, *Doda*, however, suggests that others are out to take advantage of Recruit's discomfort.

Competition also appears to be hotting up in the employment-related

COMING FROM NOWHERE



film and video markets where Recruit may still be dominant. Companies commissioning promotional films, which they hope will attract top graduates, no longer see the Recruit name as an asset.

The same applies to yet another outgrowth from Recruit's original magazine publishing business — the drafting of educational programmes from the mid-career education of lifetime employees working for big companies. Recruit's own ability to attract and hold employees in the wake of the scandal is seen as another major problem. The company claims that there has been only a handful of cancellations among the 660 graduates from top universities who agreed to join the group in the autumn of 1988. However, the recruitment of temporary or *arubeito* staff who make up nearly half the 6,500 strong workforce of Recruit Co. (the Recruit group parent, and the division responsible for magazine publishing) already appears to be suffering seriously. This could matter a lot given the group's strategy of relying on temporary staff.

A high ratio of part-time workers has been a sensible strategy for the company to pursue in the past, analysts say, given the preponderance of unskilled sales jobs in the magazine and video divisions and the flexibility derived from being able to lay off workers who do not meet sales targets. But reliance on young unskilled workers has also given the company a bottom-heavy age structure and created a vacuum between rank-and-file workers and senior management. The vacuum has grown more serious in the past few months with the arrest of four senior Recruit executives, including Ezoe himself, on charges of attempted bribery.

Recruit's surviving management team consists of President Naotaka Iida, a former IBM Japan executive who was persuaded by Ezoe to join the company in the late seventies to start a computer services subsidiary, and a handful of men in their forties and early fifties, most of whom were originally lured away from major companies outside the group. Iida and his team are thought to be fully capable of keeping the company's magazine publishing business running profitably for the foreseeable future. But "strategic expansion" into new business areas of this kind favoured by Ezoe before the scandal broke could prove difficult.

Business expansion. This includes the completion of plans to expand into the business of reselling high-speed digital circuits leased from Nippon Telegraph and Telephone (NTT) to companies as "in-house" communications systems. Ezoe used his links with NTT — which are themselves now under scrutiny by the prosecutor's office — to start the service before the scandal broke, but this new arm of the company's business is said to be still "immature."

A strength of Recruit's management, according to analysts, is a "multiple profit centre system" which has allowed executives in their thirties to run relatively small divisions of Recruit Co. as if they were separate companies, with authority to make decisions in virtually all areas except the hiring of full-time staff. The system gave Recruit far greater flexibility than the average major Japanese company, where decision-making is carried out by a complex and time-consuming process of discussion at all levels of the company.

But division directors with full responsibility for profits are said to have either buckled under the strain or left to start new companies of their own, with the result that Recruit has suffered from even more internal instability than other fast-growing companies.

What seems to be needed now is a group of middle managers who will pick up from where Ezoe left off and give the company a much-needed dose of stability without sacrificing some of the original entrepreneurial spirit. Unfortunately this is a combination which seems consistently to elude Japanese companies.

■ *Charles Smith*

(By special arrangement with the Far Eastern Economic Review, *Hong Kong.)*

RECRUIT GROUP'S VITAL STATISTICS

Billion ¥	Recruit Co.	First Finance	Recruit Cosmos
Sales	269.2	46.2	226.5
Operating profit	16.0	9.6	38.1
Net profit	16.0	2.7	9.9
Equity	2.5	50.6	28.1
Debt	482.2	766.7	614.8
Assets*	567.5	873.0	687.6

Note: Sales and profit figures are for the 12 months ended December 1988 for Recruit Co., for the 12 months ended September 1988 for First Finance, and the 12 months ended April 1988 for Recruit Cosmos.

* Includes land and buildings. Debt figures are for ended [illegible] 1988.

Source: Far Eastern Economic Review

CUBA

NO PERESTROIKA FOR CASTRO

The Soviet embassy in Havana is a masterpiece of neo-brutalist architecture, whose central feature is an immensely tall tower in the shape of a sword handle. For long this seemed a perversely apt symbol for the cumbrous but massive Soviet presence in Cuba initiated during the Krushchev era.

However, it is no longer so. The coming to power of the new Soviet leadership under Mikhail Gorbachev has initiated a fundamental shift in Moscow's relations with Cuba. Gorbachev's pragmatic approach to political and economic reform at home and commitment to detente abroad have virtually removed Cuba as a source of superpower tension. This in turn has raised questions about Gorbachev's willingness to underwrite the Cuban economy to the tune of $3 billion a year.

The two leaders have marked differences of view. President Castro has consistently rejected any suggestion that Cuba should follow perestroika and has pointedly said: "We are creators not imitators."

Different situation. Such statements reflect a strongly held view that Cuba's situation is wholly different from that of the Soviet Union. Cuban officials are, for instance, eager to stress that their revolution has not made the same mistakes alienating the population as in the Soviet Union.

Although these differences of approach have received the most publicity in western media, they are probably the least source of friction. The main points of potential friction concern economic aid, the evolution of Comecon and the generally reduced importance attached by Moscow to relations with Cuba. Over 70% of trade is with the Soviet Union, while Cuba has accumulated debts to the latter equivalent to $11 billion (against $6.5 billion owed in hard currency to western creditors). Almost three decades of Soviet assistance have made Cuba more rather than less dependent.

Soviet economic aid to Cuba is agreed on a five-year basis in broad agreement with other Comecon members. According to senior Cuban officials, the Soviet leadership has given assurances that all aid and trade agreements agreed for current five year plan, 1986-90, will be honoured.



MOSCOW'S NEW STANCE SPELLS BAD NEWS FOR CASTRO

Soviet aid is provided in many different ways and is hard to quantify accurately in dollar terms. The biggest single support mechanism comes in the form of guaranteed prices paid for sugar deliveries.

The other major form of support is the supply of crude oil, making up Cuba's energy shortfall. This is via a tripartite deal with Venezuela (the Soviets supplying Venezuelan clients in Europe in return for Venezuela supplying Cuba). Under the current five year plan, the Soviets are committed to providing 67 million tonnes based on the average price of crude for the previous five years.

Secure supplies. The main advantage to Cuba is security of supply and the way in which Havana is allowed to resell any crude oil it may save. This has amounted to as much as $600 million in one year although last year it was around $200 million due to lower prices.

Other support mechanisms include guaranteed prices for nickel and the supply of essential foodstuffs. On occasions, the Soviets have bought cereals in hard currency from Canada on behalf of Cuba.

Gorbachev is expected to reiterate a broad commitment of support to Cuba. But he is also expected to argue forcefully for greater accountability in the use of Soviet aid. The emphasis will be put on finishing existing projects and ensuring their efficient functioning rather than promising new ventures which neither side can afford.

Brutal message. Gorbachev is reportedly conscious of the poor quality of Soviet aid; but he could well convey a more brutal message — linking the flow of aid to reducing Cuba's budget deficit and holding down the country's lavish social spending. He is certainly expected to warn the Cubans to prepare their economy for possible changes in Comecon pricing and against future devaluation of the rouble.

As for military supplies, the Cubans already have accepted that the flow from Moscow will be reduced. The armed forces are extremely well-equipped and the country is unlikely to need more sophisticated material to protect itself against the US.

There is no doubt that the Soviet Union will continue to guarantee Cuba's security. Nevertheless, one expected sign of East-West detente will be a downgrading of the Soviet military use of Cuba.

In foreign policy terms, one upshot of the visit could be some form of Soviet guarantee offered to Washington on Cuba's role in Nicaragua. A more far-reaching consequence will be the impact on Cuba's relations with the US. If the Soviet Union clearly demonstrates a desire to adopt a lower profile in Cuba, this will weaken the argument of the hardliners in the US who still see Cuba as a communist threat.

■ *Robert Graham*

(By special arrangement with the Financial Times, London.)

PIRELLI GEARS UP

The Italian Pirelli group has hawked off its tyre operations and transferred them to a Dutch-registered holding company, Pirelli Tyre Holdings NV. The Amsterdam-based offshoot has already forecast a turnover of $3.5 billion for this year. Pirelli Tyre is slated to go to the markets to raise $250-350 million from international investors. New equity representing 25%-30% of the company's share capital is to be put up as bait some time in June or October.

Pirelli Tyre's management says this move was prompted by the increasing competition in the international tyre market, as also the need to impart greater visibility and a separate identity to the tyre business and help the company raise capital to fund future acquisitions.

INTERNATIONAL ROUBLE

To make the Soviet economy internationally competitive, the rouble will have to be made fully convertible. To accelerate this process, Soviet economists are considering the introduction of a second currency, a hard rouble.

Abel Aganbegyan, Gorbachev's economic guru, opines that the traditional path to full convertibility of the rouble would involve overcoming major obstacles — ending shortages and the creation of a capital market as well as an internal currency market. This could take seven to ten years to implement, which may prove too late.

A second strategy, says Aganbegyan, would be the early introduction of a parallel rouble devoted entirely to foreign trade and capital transactions. It could also be used as the means of exchange in the Soviet Union's proposed special economic zones.

The new, hard rouble would be backed by a combination of gold and foreign currency reserves, and by existing exports. Can Indian policymakers learn something from this?

AT&T'S DRIVE INTO ITALY

The New York-based American Telephone & Telegraph Co. (AT&T) has got a firmer grip on its European telecommunications equipment affiliate in order to pave its way into Italy's telecom market. AT&T has increased its stake by 25% to 80% in AT&T Network Systems International BV, a joint venture with Philips, a Dutch electronics giant.

This acquisition paves the way for AT&T's planned link with Italy's state-owned telecom equipment maker, Italtel SpA, and its parent, Stet SpA. This alliance would be AT&T's biggest non-US venture. The link would give the US company a share of the equipment orders Italy is likely to place through 1992 as the country plans to spruce up its antiquated phone network. The orders are expected to be of the order of $30 billion.

WALL STREET BLUES

Wall Street's performance is causing worry again. New stock offerings in the US fell to their lowest levels in six years during the first quarter of 1989. Only 39 new public issues were sold, adding up to $3.1 billion, down from the $7.2-billion a year earlier. Not since the 1982 recession has there been a quarter when fewer than 50 companies went public.

The total amount of common stock sold during the quarter dropped to $3.9 billion from $7.8 billion in the first quarter of 1988. This was dwarfed by the retirement of $44.6 billion of equity through completed public acquisitions and mergers.

The decline in new offerings has removed one of Wall Street's biggest traditional sources of revenue. Worst hit are the large security firms that cater to individual investors. The 15 top underwriters of stock in the first quarter sold only $3.8 billion, down from $5.3 billion by the top 15 in 1988's first quarter.

Although this slump may not signal the beginning of a new depression, few experts expect a quick upturn either.

PICKENS PICKING IN JAPAN

Texas oilman and takeover artist T. Boone Pickens Jr. is back on the takeover trail. Moving silently, Pickens has bought up nearly 32.4 million shares of a Japanese company styled Koito Mfg. Co. In the process, he has become the largest single shareholder in the Toyota-aligned company which makes halogen lights and other auto components. This makes him the first foreigner to make a direct hostile investment in a Japanese company's common stock.

Pickens move into Koito caught everyone napping. The $1.18 billion ($800 million, according to a Pickens' employee) stake was acquired through a Pickens-controlled merchant bank Boone Co. The fact that 60% of Koito's stock is held by Toyota and other long-term investors has not helped. And the Japanese have been pointing fingers at Pickens, accusing him of "greenmailing" or share-cornering. In Japan, greenmailing occurs when an



PICKENS IS ACCUSED OF GREENMAILING

unfriendly investor acquires a large stake in a company and the company gets an ally to buy out the investor by offering him a premium. This is because Japanese companies aren't allowed to buy their own stock.

But Boone, however, claims he has other plans and is thinking expansion. He "hopes to provide a positive influence on the direction and policies of the company." Famous last words.



THE ENERGY SAVER FROM SIEMENS

SIEMENS' NEW GENERATOR

With the energy crisis looming large over the international community, novel methods of producing energy are always welcome.

Siemens AG has introduced a new generator which is expected to reduce the costs of providing electricity on board ships.

The shaft generator is arranged on the ship's propeller shaft. Part of the output from the propulsion motor is used to produce cheap electricity in the shaft generator. Energy is also recovered from the waste heat of the main diesel engine.

If more energy is available than is required to generate electricity, the shaft generator will function as a motor to help drive the ship. Whichever way the new gadget is used, energy will be saved. Siemens hopes that in the event of an energy crisis, ships equipped with its new generator will not be all at sea.

BANKING BEHIND BARRIERS

The scepticism about Europe's 1992 'free market' plans has now spread to the banking sector. The Bankers Association for Foreign Trade, which represents all US banks with international operations, has, in a letter to the European Commission (EC), protested against the reciprocity provisions of the commission's proposed banking directive. And it has threatened retaliation.

US banks are worried that they will be restricted in the EC because US law limits the geographical and operating freedom of banks on their home territory. They argue that these restrictions are irrelevant to reciprocity since they apply to all banks in the US, domestic as well as foreign.

If the reciprocity clause was used against the US, the bankers said, "such an arbitrary provision could possibly provoke retaliation against EC banking organisations in the US. Such a conflict would produce only victims, not victors."

AMBITIOUS AUSSIE BAGS MGM

Another Australian with ambitions to become an international media mughal is making his appearance. Christopher Skase, the 40-year-old owner of the relatively small-and-unknown Qintex group, has sewn up a complex $1 billion deal which brings MGM/UA Communications, the Hollywood film megacorp, into his group. Skase will get a 4,000 film library which includes the *James Bond*, *Rocky* and *Pink Panther* series, besides other assets. He, however, will sell back the rights to the MGM/UA name and its lion trademark as well as MGM/UA's television production operations and the Beverly Hills-based corporate headquarters to Kirk Kerkorian — who owns 82% of MGM/UA — for $250 million.

Qintex will get an injection of funds to the tune of $75 million, which will be brought in by Kerkorian. Another $75 million is to come Skase's way from within the UA (United Artists) interests. This will reduce Skase's debt to $600 million. With a neat deal under his belt, Skase is headed for the skies.

EUROPEAN TV TIME

The days of hot American TV acts — *General Hospital*, *Miami Vice*, *Three's Company*, *Mickey Mouse*, etc. — on European TV are coming to an end. In a directive approved by the European Community last month, European TV stations will have to reduce their dependence on popular American soaps and TV shows, and devote the majority of their airtime to European-made programmes, come 1990.

This comes only weeks after the Time-Warner merger and announcements that the duo would expand in Europe. The directive is part of the European Community's policy of keeping a check on imports. Besides, the idea is also to spur European TV stations into actions like co-financing European-made programmes.

And the big players are already talking deals. Italian TV magnate, Silvio Berlusconi is involved in two of them. The first, with British publisher Robert Maxwell, could result in a $1 billion entertainment group for producing and distributing feature films and TV serials. The second, with French construction tycoon Francis Bouygues and West Germany's Leo Kirch, will co-finance European programmes. And another French pay-TV channel, Canal+, is setting up a company with West German outfit Bertelsmann to start a pay-TV service in Germany.

BERLUSCONI IS TALKING DEALS



HIKE IN JAPAN'S IMF QUOTAS?

Japan's status as an economic superpower will soon be reflected in its IMF quotas.

Though Japan has the second largest economy in the world, it currently controls only 4.55% of the fund's voting shares. This is now likely to change.

A hint to this effect was dropped in an IMF communique which said that any quota increase in future would take into account the changes in the world economy since the last review of quotas. US Treasury secretary Nicholas Brady has also indicated his support for Japan's enhanced role.

With this proposed hike in Japan's quotas and the importance given to it in the Brady Plan, the Asian giant at last looks set to acquire the muscle to match its economic might.

CMC

BIG BYTE

On 28 February this year, there were loud yelps of pain in the country's computer industry when the finance minister announced an increase in levies to "discourage kit culture." One notable exception was CMC, formerly Computer Maintenance Corporation. By studiously keeping itself away from mundane manufacturing and assembly operations, the country's largest information technology company had nothing to yelp about on budget day.

The largest?

Yes. Even in 1988, when the euphoria generated by the remarkable growth of HCL (formerly Hindustan Computers Ltd) prompted the industry's monitors to dub it "the year of HCL," the public sector CMC maintained its top perch by a wide margin (turnover: Rs 72.86 crores vs. HCL's Rs 60.24 crores). It has been so since 1985-86, when CMC displaced International Computers Indian Manufacture (ICIM) as *numero uno* (see chart. p 71). And in the year to March 1989, CMC expects to consolidate its hold on the No 1 slot by posting an unbeatable figure of around Rs 113 crores.

But the figures don't say it all. Behind the numbers is the story of a company that is unique to the public sector: a risk-taking, R&D-led, market-driven company that has not seen red in its balance-sheet since its first year of operations. Says Prem Prakash Gupta, CMC's chairman-cum-managing director, whose second sting as chief ends next month (May): "I think the company can stand on its own feet."

HELPING HAND

It certainly can, as the bottomline attests (see table, p. 73), but that doesn't mean luck and a helping hand from the government haven't helped. In fact, a major factor in the company's success has been its ability to harness favourable winds for growth. For example, barely a year after CMC set up shop as Computer Maintenance Corporation in 1976, IBM left the country in a fit of pique over the rigours of the Foreign Exchange Regulation Act. Rising to the challenge of servicing all the 800 IBM machines in the country in the face of a virtual spare parts embargo imposed by Big Blue, CMC simultaneously presided over the rapid diversification of India's hardware base. Ever since, CMC's efforts have been bolstered by a favourable policy regime, whether in the form of granting a monopoly for the maintenance of medium and big computer systems, the import of spares (now discontinued) or the award of governmental turnkey projects in preference to rival private sector competitors (see box, p. 71).

Gupta, of course, sees things differently. "I don't think we ever had a monopoly," he says flatly. "We were leaders, and still are, in the areas of on-line applications and transactions, communications and core sector computerisation," he asserts (see interview, p 72).

Our aim is to compete in the global market

P.P. Gupta
CMD
CMC Ltd





ENTRANCE TO CMC'S CORPORATE HO: THE RIGHT AMBIENCE

Not without reason. Favourable government policies notwithstanding, it is the pioneering R&D work of CMC's laboratories that has stood the company in good stead. CMC has consistently ploughed back profits into the business and R&D expenditure in the last financial year accounted for a cool Rs 2.5 crores. Says Gupta: "I don't want the company to be too profitable."

By encouraging risk-taking, Gupta has nurtured an entrepreneurial spirit hitherto unseen in the public sector environs of the country. And with three major R&D centres in Bombay, Hyderabad and Delhi, the company's Rs 12 crore investments since its inception have started yielding fruit. Keeping its broader mission to spread information technology in mind, CMC has developed expertise in the core sector areas of power, transportation, communications, mining and steel. "We are an R&D-led company, but driven by market forces," observes Gupta.

RISK AREAS

Few people will challenge him, at least on the assertion regarding R&D. For CMC has ventured into long-gestation, high-risk areas where few other companies have dared to tread, including areas where access to imported technology is difficult: defence, artificial intelligence, array processors, fifth generation computing and wide area networks, among others. Claims T.Krishnamurthi, marketing support manager (R&D): "If we had not entered (these areas), others would not have followed."

Some of CMC's technologically exciting work is defence-related. Says Krishnamurthi: "Tomorrow's war will be a war of technology." It is in this context that the company is conducting research in the area of command communications, control and intelligence. For example, CMC is to be involved in the development of real-time software for the Indian Air Force's low-level radar system and may even lend a hand in the setting up of the missile testing range at Balasore, Orissa.

As if to underscore the importance of R&D to CMC's future, the company is setting up a new 75-acre, Rs 10-crore R&D centre about 20 km from Hyderabad. When complete, it would be the only one of its kind in the country. Out of the total area, only 10 acres will be used for buildings and housing. The rest is to be converted into natural growth forestry. "The idea is to create a high-tech community," says Krishnamurthi. The emphasis will be on things natural: solar and wind power, and the use of natural light as much as possible within the building, with airconditioners being done away with by introducing natural cooling for the buildings. An artificial lake is also planned. As land has already been acquired and work begun, the "community" is expected to move in by 1990-end. Consider then the scenario: official meetings, brainstorming sessions and discussions, "all in the open jungle." Just the right atmosphere for fostering a productive team spirit. Says Gupta: "We recognise people as three dimensional and not just as selfish computer people."

With its unique work ethos and culture, CMC stands head and shoulders above other public sector outfits. In the highly competitive information technology sector, it has earned a place at the top

Not surprisingly, CMC lacks none of the pioneering spirit. "The name of the game is to remain proactive," says S.Krishnamurthy, vice-president (marketing and development). The approach has certainly yielded dividends in the past, enabling the company to bag several turnkey contracts. In 1987-88, turnkey projects contributed a whopping Rs 30 crores to CMC's turnover (over 40%).

REPEAT ORDER

One of the most prestigious projects to come CMC's way — well-deservedly, as even its critics acknowledge — is the computerisation of railway reservations. Initially, a whole year was spent on developing the prototype alone, demonstrating CMC's risk-taking ability in new business areas. "It was literally the creation of a new market," says Krishnamurthy. Now that the market is well recognised, CMC is waiting to collect. With Level I of the railway computerisation project being successfully completed at Bombay, Madras, Calcutta and Delhi, a repeat order for Level-II (computerisation at five other cities) has just been bagged.

Recently, CMC won a World Bank tender for the execution of a Rs 10 crore sophisticated monitoring and despatch system for containers at Nhava Sheva port in Maharashtra. Groundwork for making a successful bid had begun even before the global tender was called. In an anticipatory

move. CMC personnel underwent training to understand port operations with Flexito International of the UK. In a project where adherence to time schedules was absolutely necessary (there are stiff penalties for non-completion on time), all this preparatory work helped the company bag the contract despite its not being the lowest bidder.

Says P. Srivastava,, project manager: "High-tech and commercial marketing are two different ballgames." He's right. In high-tech, a company enters an area where there is no market and then creates one. That's what made companies like IBM, Digital, Apple and Sun Microsystems pioneers. CMC appears to be taking a leaf out of their books in charting its own course to success. And for an organisation that should normally be risk-averse, it is showing the kind of daring that most private sector competitors would have been proud of. For example, in a burst of marketing confidence, CMC is going ahead with the computerisation of the Ghevra opencast coalmine even before formally receiving the order.

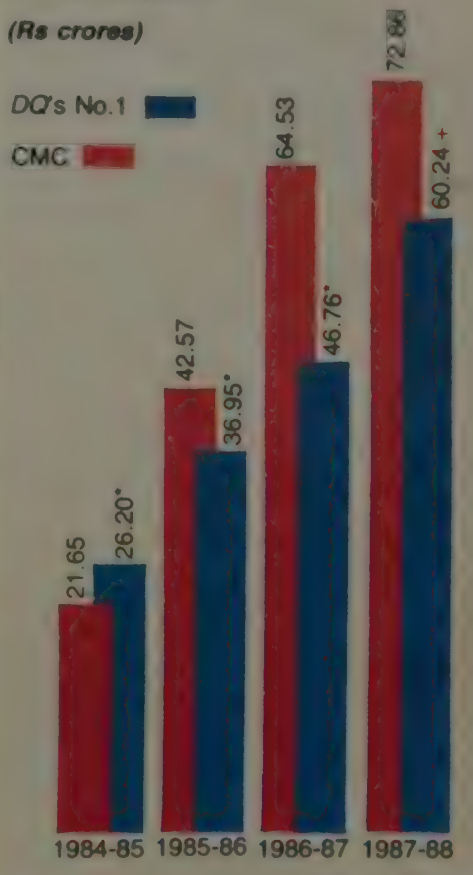
Not quite content with its lead in the home market in the area of information technology, CMC has set its sights far and wide. "Now our aim is to compete in the global market," says Gupta.

It is the area of systems and software consultancy that holds much promise for the company. This segment, which grew by 67% last year (1987-88), is now poised to contribute substantially to CMC's turnover.

An indication of the shape of things to come was the bagging of the prestigious £2,30,000 global contract by CMC earlier this year for the review and installation of a computerised information system for the London Underground. This can be seen as a recognition of CMC's capabilities in the wake of the successful computerisation work undertaken for the Indian railways. Similarly, negotiations for a contract to computerise the railway reservation system in Thailand are reportedly in the final stages.

BIGGER THAN THE BIGGEST

Turnover of CMC compared to that of the company topranked by *Dataquest*.



WITH A LITTLE BIT OF HELP...

It operates, on the face of it, like an old boys' club. CMC, a public sector concern, has to thank other state sector organisations for much of its rapid growth in the highly profitable area of systems and software consultancy. The critics claim that when it comes to a major contract from any of these organisations, CMC has an inside line and the others don't even get a look-in.

The figures shore this up. CMC's earnings from systems and software consultancy grew from Rs 2.4 crores in 1986-87 to Rs 4 crores in 1987-88, a healthy 67%.

The instances equally shore up the contention. In the recent past, CMC has roped in a lot of lucrative public sector consultancy contracts. Its client list includes the National Thermal Power Corporation, the National Textile Corporation, the Delhi Police, Indian Oil Corporation's LPG bottling plant and the banking industry. In the last instance,CMC was not only one of the bidders, but it also had a big say in evaluating the bids.

An analogy. "The clients being public sector organisations, they feel more comfortable with CMC," reasons Tata Consultancy Services' (TCS) business development manager Pheroze Vandrevala. Says CMC chief P.P. Gupta in an analogy: "When Tata Steel buys trucks, where do they buy it from? Telco obviously."

But there is the other side of the coin too. If critics can point to the banking sector where CMC was both umpire and player, CMC can itself serve up railway computerisation as a counterpoint. Its performance into the first phase of the job was so good that the second fell in its lap almost automatically.

Besides, there have been some failures too. CMC lost out to TCS in a major job for the Steel Authority of India Ltd. In the case of a systems consultancy contract involving the India Tourism Development Corporation, it was pipped at the post. Besides, CMC is facing rough weather in its bid to bag the Vayudoot and National Crime Records Bureau orders.

On the whole, therefore, it is six of one and half-a-dozen of the other. If CMC is getting a host of public sector clients, it is not so much because of the government's desire to prop up an old boy but to rely on the big boy of the business.

INTO BIG GAMES

What makes CMC tick? "Inner drive more than competition should be the driving force," says Gupta. This inner drive has driven CMC to think big. Close on the heels of having successfully managed the information system at the Syrian Mediterranean Games and the South Asian Federation Games, CMC has now bid for the biggest games of them all: the 1992 Olympics at Barcelona.

The company has also struck a number of savvy deals — or is on the verge of doing so — in a few foreign countries. It recently finalised a contract for installing a computerised monitoring and despatch system for the Royal Oman Airlines. And in Hong Kong, a consultancy project in

"AIM FOR THE STARS AND YOU WILL REACH THE SKY"

Lucknow-born Prem Prakash Gupta (55) can, not unreasonably, consider CMC as his baby. Having been associated with the company since its inception in 1976 (barring a three-year period in 1981-84 when Gupta was secretary in the department of electronics) CMC certainly bears his stamp. And now, with Gupta's five-year term as chairman-cum-managing director of this public sector information technology colossus drawing to a close, is the time to take stock. In an exclusive interview to BusinessWorld, *Gupta talked about CMC's past, present and future. Excerpts:*

■ On CMC's inability to achieve its own internally-set targets last year.

My motto for the company is: 'Aim for the stars and you will reach the sky'. Here I am reminded of a couplet: 'Some see things as they are and ask why? Some dream of things and ask why not?'

Well, why not? But historically speaking, we (in India) have a culture of not achieving targets. And maybe, we at CMC were a little too optimistic about the progress of information technology in the country. Broadly speaking, to me figures are only an indication of the type of activity we want to be in and the growth patterns we would like to achieve. It is a flexible, movable target.

■ On CMC's broad aims.

CMC shall remain committed to its primary objective as a public sector organisation. We have a commitment to work in relevant areas. It is important to consolidate on our already developed solid base. A lot of effort in the coming year will be spent in this direction.

■ On whether CMC benefited from its monopoly position in the past.

I don't think we ever had a monopoly. We were only leaders and still are in the areas of on-line applications and transactions, communications and core-sector computerisation. But tell me, when Tata Steel buys trucks, from where it does so? From Telco, of course!

I am not a non-believer in competition. But I believe that much of the growth urges depend on a company's inner-drive (and not on a monopoly position).

■ On the importance CMC attaches to software export in the context of the company's move to acquire a US software company.

Software export is a nice buzzword. But I am not happy that we are primarily shipping cheap labour. Basically, I am not interested in increasing the productivity of General Motors with my men. Secondly, we have a shortage of Indian software specialists.

We are definitely considering the acquisition of an American software house. If we have to compete in the global market, an image and a platform is necessary for us. When we deliberated on how to enter the (global) market, two options came up: Either start a new office or acquire a company. If you are planning to go to the Tom Joneses, then you have to build up client reliability. This we felt could be served best in the proposed manner (i.e. takeover of an existing software company.)



■ On how he rates CMC vis-a-vis the competition in the information technology field.

First, we are in a unique position in that we are not manufacturers. Secondly, I don't want CMC to be highly profitable. As long as the bottomline is black, I would prefer to reinvest the surpluses in people and the organisation. While profits may be important, it is not the be-all and end-all of CMC. Incidentally, throughout the past 12 years we have had red ink on the balance sheet only once (in the first year of operations).

And being a government company, as long as you make profits, you are not open to public criticism. Your growth will depend on the desire to be free and the ability to take on challenges. Contrary to general belief (unlike other public sector units) we have a lot of freedom from the government.

■ On failed R&D projects and attendant risks.

The risk-taking ability is crucial to us and this will continue. I have never been afraid of failure. In fact, this is a part of the culture of our country.

I feel that R&D projects should fail from time to time. When it does (fail) occasionally, I am happy to hear about it. But the success rate of our laboratories is eight out of 10. This high rate is an area of concern for me. There could be something wrong.

■ On CMC's culture and his contribution to it.

I don't think I am indispensable. My contribution has probably been in building up the distinct culture and ethos at CMC — of management on trust, open-office etc. We work very democratically. Very often I get small groups of young people together who literally tear me apart. A lot of what CMC is now is probably due to me. But I think the company can stand on its own feet.

CMC: PEOPLE BEFORE PROFITS

(Rs crores)

	1984-85	1985-86	1986-87	1987-88	1988-89
1 Turnover	21 65	42.57	64.53	72 86	113*
2 Pre-tax profit	6 71	8.51	10.43	17.09	N.A.
3 Establishment costs	4 99	7.0	8.99	10.74	N.A.
4 Manpower costs	4.08	5.98	8.05	9 66	N.A.
5 Total value added	11.28	15.55	21.51	31.00	N.A.
6 People employed	941	1200	1475	1657	1900
7 Value added per employee	.012	.013	.014	.018	—

* Estimate

Source CMC

ne crime and security field is in the vorks.

However, by far the most ambitious lans are in the field of software exorts. Although CMC made a bid to nter the field two years back, it did ot make much headway. Reason: the ompany's deliberate policy of avoidng the export of computer personnel, nd poor marketing infrastructure, ame in the way.

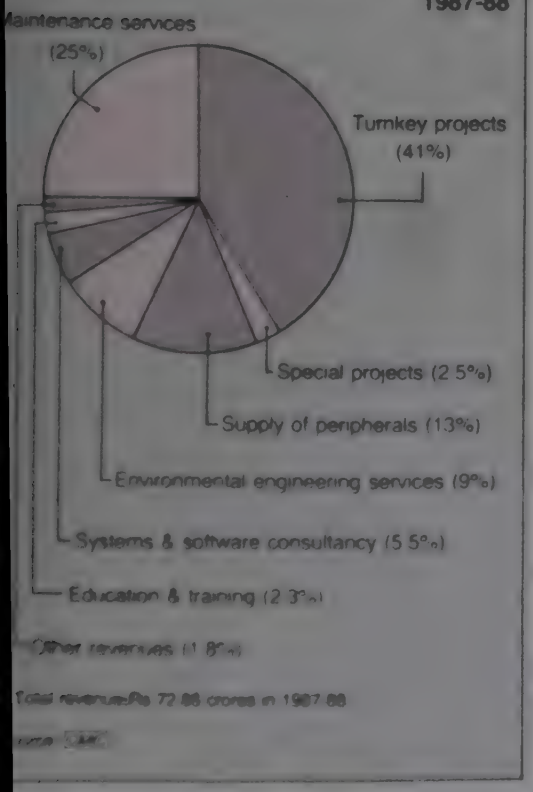
Question: How does one avoid hipping personnel and still make an mpact on the software export arket?

CMC's answer has left the rest of e computer industry speechless: ke over an existing software comany in the US. After closing down its American software export office two years back, CMC did a cost-benefit analysis and concluded that the acquisition of an established company would be better than opening a new office. The problem was one of establishing rapport and confidence in the US market. This, the company felt, would be better achieved by an American company. Says Gupta: "Let's be realistic. If you have to go to the Tom Joneses and establish client reliability, this is the best way." Although negotiations are still on and the government has not given its final nod, observers opine that given Gupta's proverbial clout with the Centre, it is just a question of time.

Thus CMC's strategy in the years to come is slowly becoming evident. Increasing returns within existing businesses is not enough. Trumpeting a host of marketing synergies, Gupta and his band are clearly on a path that has left even some of the private sector companies stunned.

WHERE CMC'S REVENUE COMES FROM

1987-88



WORK CULTURE

It certainly has the internal wherewithal and the right organisational culture to aim high. One of Gupta's unique contributions to the organisation is probably that he has helped it evolve its own distinct ethos and team spirit. CMC personnel proudly refer to themselves as CMC-ites, and this strong *esprit d' corps* has been the major factor responsible for its success despite being a public sector enterprise.

From a two-cabin room in Bombay's Air-India building way back in 1977, CMC has grown to become a multi-location, 1,900-employee organisation. But size has done little to dilute the open organisational culture fostered from the beginning. For example, only the typists in the organisation qualify for enclosed cabins. Why? To ensure that the clatter of typewriters does not foul up the work atmosphere. Barring the typists, the open-office system applies for everyone else, from the chairman and directors down to the junior executives. Every employee gets an open "workstation," complete with a revolving chair.



KRISHNAMURTHY LIKES TO BE PROACTIVE

One of CMC's biggest dilemmas every year has been to decide how to spend its growing cash surpluses. Unlike other public sector organisations which pay back to the government fat cheques in the form of dividends, Gupta would like to see the surpluses ploughed back into the company — both for developing people and the infrastructure. The company is currently deliberating on whether to buy a supercomputer from abroad or design one itself. Either way, enormous amounts of money will be needed and the staff are unanimous that it is better to spend rather than to hand the booty back to the government.



INFORMALITY BREEDS SUCCESS



IT'S WORK, NOT RELAXATION

Unlike other public sector organisations, CMC maintains a near 4:1 ratio between professionals and other staff. One obvious outcome: it has few of the problems associated with blue collar workers and unionised staff. And this, no doubt, lies at the heart of CMC's unique work culture. Declares Gupta: "We run our company on trust."

Broadly speaking, CMC provides a very responsible and mature work environment that minimises supervision. There are no fixed timings for reporting for work. No written approvals are required from above for activities that fall within the sphere of one's responsibilities. This reduces bureaucracy and red-tape. The company also has no concept of casual leave.

In this free atmosphere, does work get done? An internal review of the working of this yet largely undefined management experiment indicates that it does. A majority of the employees have responded favourably to it and in no way has productivity been compromised. Observes Gupta: "If you run any system on trust, there will be a certain amount of abuse. But in our case, the cost of abuse is minimal."

It is such inbuilt features and motivational factors that have kept the employee turnover rate at a low of about 8% in an industry where the normal average is about 20%. And as CMC's horizons have expanded, so has its staff. It stood at around 1,900 by the end of last year. For its burgeoning activities, Gupta means to add more staff in the next few years.

In reality, a lot of the action at CMC depends on the financial backing of big brother — the government. So when the government goes slow, CMC has to follow suit. For example, the completion of a number of high-value projects have been delayed since last year and carried forward to this financial year. Reason: drought and the resultant governmental cash crunch.

Similarly, the ambitious sometimes-on-sometimes-off Class (Computer Literacy and Studies for Schools) project of the department of electronics and the ministry of human resources has again recently run into rough weather. Being coordinated by CMC, Class never really took off. Says A.M. Mirani, director: "To spend Rs 100 crores under the Class programme, the government needs to have a lot of political guts and backbone." Evidently, since this is lacking, CMC's performance has been hampered.

The progress of the much-acclaimed Indonet, an ambitious project to link computer users by satellite, has also been stalled. Primary reason: the concept of networking is yet to catch on in India. However, this is one of the projects that all at CMC are willing to place their bets on.

Having completed Phase-I of Indonet and connected 11 cities at a capital cost of Rs 19 crores, Phase-II is expected to be completed some time this year. Soon an international gateway will also be added to Indonet. This will allow the user to be connected — through the Videsh Sanchar Nigam — to public data networks in other countries, including the US, Western Europe and Japan.

In part, it is the non-availability of high-speed data communication facilities that has prevented full acceptance of Indonet among the computing community in the country. One obvious fallout of this has been the low capacity utilisation of the Indonet service, as reflected in the poor revenue figures of Rs 1 crore for 1986-87 and Rs 3 crores for 1987-88. CMC's projected revenue target of Rs 8-10 crores, this year (1988-89) may thus be difficult to achieve.

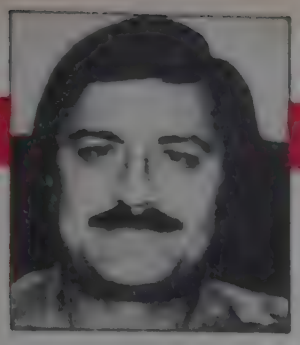
Though CMC is an unlikely candidate for the public sector culture, it has not rid itself of the common malaise: an inability to hit internally-chosen performance targets. It is currently flipping through its own ambitious seventh plan (1985-90), but the contents make dismal reading, for there is a wide gulf between promise and performance. For 1987-88, against a turnover target of Rs 107 crores, the company managed only Rs 72 crores. During 1988-89, it was slated to hit Rs 172 crores. CMC's actual achievement may be well off that mark by Rs 60 crores.

However, as chairman Gupta points out, it is always better to aim high. "If you aim at the stars, you reach the sky." He adds ruefully: "Probably we were too optimistic about the progress of information technology in the country."

But when the informatics revolutions does hit India, CMC will be well placed to pander to it — and profit from it.

■ *George Skaria*

In its second bid to make a splash in the software export market, CMC is attempting the unheard of: it wants to take over an established US company



PRODUCTS & PROCESSES

BIRD-CONTROL PRODUCTS

Bird-X Inc. of the US claims to be the world's leading bird control specialist. It offers a range of unique products to solve virtually any bird problem affecting industrial maintenance, aviation and agriculture.

Bird-X's arsenal of bird-fighting products includes sonic and ultrasonic bird and pest repellants, non-toxic chemical and physical roost inhibitors, life-like replicas of natural predators, plastic bird-netting and many other proven, effective products.

SUBSTITUTE FOR SANDPAPER

Dimex Ltd., UK, has announced an ingenious non-clogging replacement for sandpaper. Called "Selectequip Mag-Net", it is a metallic network with a highly abrasive aluminium oxide coating. Its holes allow sloughed-off particles to fall off harmlessly instead of sticking between the particles as happens with sandpaper.

Despite its highly abrasive qualities, the product is easy to handle. It can be used when wet or dry, to remove paint or rust, or to remove glaze from vehicle brake shoes. The smooth finish is ideally suited for welding, soldering or painting. The material is long-lasting and two-sided and is presently available in three grades of abrasiveness, equivalent to the sandpaper grades 80, 120 and 180.

HAND-HELD pH METERS

Combining pH and conductivity measurement in a hand-held unit, the new DSpH-1 and DSpH-3, hand-held pH meters from Presto-Tek Corp. of the US, offer the user a convenient compact facility for on-site tests.

Housed in an ABS plastic case with watertight rubber switches, these durable meters offer the user simple, one-hand operation. They measure 0 to 14 pH with a resolution of 0.01 pH and employ field-replaceable electrodes which can be calibrated within a few minutes.



PRESTO-TEK'S METER

The DSpH-1 has a conductivity range of 0 to 20,000 ppm. The DSpH-3 provides three conductivity ranges: 0 to 2K, 20K and 200K ppm.

NEW SAFETY SHACKLE

Hammer International Trade Consultants of the US, is the export agent of Sur-Loc of Indiana, USA, manufacturers of the new "Sur-Lok" shackle — a one-piece clevis that uses a patented, non-removable bolt. The threadless pin is held by patented locking devices, which eliminate cotter keys and nuts at one end and prevent separation at the other.

It is said that these locking mechanisms prevent the shackle from malfunctioning due to friction or vibration caused by the lines running across the pin. This safety shackle, which is said to be seven to 10 times faster to use than conventional screw shackles, can be opened with a pencil and closed by hand.

Made of 316 stainless or grade C steel, these shackles are currently available with load ratings from 1 to 4.75 tons.

ELECTRONIC THERMOSTATS

Cobden Electronics Ltd. of the UK has introduced a new range of electronic thermostats which offers accuracy of within ±0.1° C. They range from simple fixed temperature types to user-programmable units that incorporate liquid-crystal displays.

The simplest version is the 'RCS' antifrost thermostat which monitors the temperature of water pipes in cold climate to prevent freezing. They are set to operate at 5° C and are not adjustable. 'RSVE' thermostats include liquid-crystal displays to show the temperatures. Four versions are offered: for hot-water containers; a frost-protection device; a room-thermostat; and one which combines the last two functions. A third range 'RPT', is designed to be mounted in picture frames and are room-thermostat versions.

BIOTECHNOLOGY DIRECTORY

Bio 1000, a directory of biotechnology companies around the world, has recently been released by the US-based publishers of *Bio Engineering News*. The 1988-89 edition contains detailed information on products, projects, contacts, addresses, telephone numbers, telex numbers and brief financial data on 1000 firms.

The 300-page directory is available as part of a $545 package that includes 52 issues of *Bio Engineering News* — a weekly news service with directory updates — and 10 issues of the *World Bio Licensing & Patent Report* which details the biolicences available and sought, plus listings of US patents and foreign applications.

■ *Ranjit Hira*

The author is the chief executive of Indea Consultants, Bombay

Enquiries should be addressed to:
Indea Consultants,
C/o. BusinessWorld, 145, Atlanta,
209 Ceremonial Boulevard,
Nariman Point, Bombay 400 021.

BUSINESSWORLD STOCKMARKET TABLE

	INDUSTRY/COMPANY	FACE VALUE (Rs)	YEAR ENDED	SALES (Rs crores)	EQUITY CAPITAL	COMPOUND GROWTH OVER 5 YRS (%) IN EARNINGS	IN DIVIDENDS	EPS (Rs)	P/E 14 APR	P/B.V 14 APR	PAYOUT	SHARE PRICE 14 APR (Rs)	MK.CAP 14 APR (Rs crores)	%CH.CAP Over 31 MAR
I.	**AUTO ANC & TYRES**													
1.	CEAT	10	30/06/88	364 38	14 76	41.22	20.49	13 60	9.38	2.57	0.15	**127.50**	188.19	- 1.92
2.	CHLORIDE	10	31/12 88	188 40	20 66	13.29	17 42	5 05	16 83	4.72	0 70	**85.00**	175.61	8.97
3.	MICO	100	31/12/87	183.73	38 05	18.24	10.22	33 88	18.89	2.94	0.35	**640.00**	243.52	- 2.29
4.	MODI RUBBER	10	30/04/88	400 13	14.53	23.21	4.76	10.20	10 42	2.75	0.18	**106.25**	154.40	8.97
II.	**BASIC CHEMICALS**													
5.	NOCIL	100	31/12/87	288 10	36.00	49 84	16.14	48 22	17 83	3 38	0.41	**860.00**	309 60	0.00
6.	TATA CHEM	10	31/03/88	230 40	36.19	8.63	27 27	2 03	58.37	2.30	1.48	**118.50**	428.85	- 3.27
III.	**BASIC METALS**													
7.	HINDALCO	10	31/12/87	372 05	17 81	39 94	9 89	11.48	23 08	6.18	0.15	**265.00**	471.93	1.92
8.	INDIA FOILS	10	31/12/87	104 90	4.38	16 20	18 83	4.79	14 61	1.71	0.44	**70.00**	30.66	0.00
9.	MUKAND IRON	10	30/06 88	303 02	14 74	20 11	12 76	8 08	13 00	6 82	0 21	**105.00**	154 77	0.96
10.	TISCO	100	31/03 88	1526.78	155.89	8 51	14 28	59.11	21 89	3.04	0.33	**1293.75**	2016.83	4.55
IV.	**CEMENT**													
11.	ANDHRA CEMENT	10	31/03/88	43 55	11 94	N A	- 100 00	11 93	- 1 01	1.55	0 00	**12.00**	14.33	14.27
12.	ACC	100	31/07/88	798 13	55 96	- 19.68	3 67	12.24	26 96	0.90	0.64	**330.00**	184.67	12.63
V.	**CHEM INTERMEDIATES**													
13.	BASF	10	31/12/87	59 30	4 26	10.15	15 88	4 83	30 23	4 45	0 28	**146.00**	62 20	0.70
14.	COLOURCHEM	100	31/03/88	86 51	7 94	10 81	4 63	37 53	13 99	2 07	0 53	**525.00**	41 69	9.39
15.	DEEPAK NITRITE	10	31/10/87	23 60	2.43	10.30	5.05	3 99	20 55	3 09	0 36	**82.00**	19.93	- 3.53
VI.	**COMM VEHICLES**													
16.	BAJAJ TEMPO	10	31/09 87	152 91	6.58	- 25 31	4 06	2 64	48 48	1 74	0 47	**128.00**	84 22	0.78
17	MAH & MAH	10	31/10/87	599 28	19 26	1 11	9 40	5 76	17 97	2.23	0 38	**103.50**	199 34	10.70
18.	TELCO	100	31 03 88	1402.55	90 97	4 92	12 24	29.63	27.84	2.78	0.48	**825.00**	750.50	6.45
VII.	**CONS DURABLES**													
19.	ASIAN PAINTS	10	31/12 87	201 72	12 45	32 95	30.02	10 07	20 61	5 71	0 30	**207.50**	258 34	- 3 49
20.	PEICO	10	31/12/87	385 93	33 32	1 54	- 8.12	1 04	24 52	1 31	0 96	**25.50**	84 97	6.25
21.	VIP INDUSTRIES	10	31/07 88	67 42	5.99	4.21	N.A.	1 22	18 85	1.22	1.23	**23.00**	13 78	4.55
VIII.	**COTTON TEXT**													
22.	CENTURY SPG	100	31/12 88	521 27	26.62	15 65	14 96	97 82	19 07	3 16	0.31	**1865.00**	496.46	4 19
23.	MADURA COATS	10	30/06 88	258 49	21.81	11 31	15 56	6 49	14 95	3.35	0.46	**97.00**	211.56	1 04
24.	RAYMONDS	10	31/03 88	235.71	22.48	15.95	34 70	3 43	22 89	2.53	0.73	**78.50**	176.47	6.08
IX.	**DOMES CONS PROD**													
25.	COLGATE	10	31/12/87	182 20	15 72	27 89	24.19	9 63	36 86	18 06	0.52	**355.00**	558.06	- 1 39
26.	HINDUSTAN LEVER	10	31/12/88	845 41	93 32	11.61	23.44	5.23	15 68	3 78	0 61	**82.00**	765 22	- 2.38
27.	ITC	10	30/06/88	1190.45	33.17	20 17	13.21	7 47	9.91	2 66	0 47	**74.00**	245 46	15.62
28.	McDOWELL	10	30/06/88	157 19	7 74	1 73	39 89	9 23	10 40	1 81	0 18	**96.00**	74 30	- 1.55
29.	RECK & COLMAN	10	03/01/89	71.39	8.40	25.00	27 05	8.10	21.91	6.75	0.37	**177.50**	149 10	7.58
X	**ELEC. ENGG**													
30.	BEST & CROMP	10.	31/12/87	169 21	7 09	- 20 75	- 7 07	1.10	47.27	1 42	0.58	**52.00**	36.87	0.00
31.	FINOLEX CAB	10	30/11/87	60 58	3.24	50 69	32 42	25.22	14.77	7.24	0 09	**372.50**	120.69	- 8.87
32.	GENELEC	10	30/06/88	52 70	2.16	12.13	- 0.86	6.48	6.02	1.10	0.23	**39.00**	8.42	- 8.28
33.	OTIS	10	30/11/87	54.28	5 04	18.55	15.36	7 58	27.04	7.05	0.33	**205.00**	103.32	- 1.20
34.	SIEMENS	10	30/09/88	223.00	20.77	4.23	11.29	3.27	24 46	2.10	0.49	**80.00**	166.16	- 1.24
XI	**EQUIP. MANUF**													
35.	INGERSOLL	10	31/12/87	77.14	7.89	21 93	15 81	10.99	34 58	10.26	0.27	**380.00**	299.82	- 2.56
36.	KIRLOS CUMM	10	30 09 88	186.20	26.40	6 01	20.56	4.32	17.65	2.92	0 52	**76.25**	201.30	- 1.61
37.	MATHER & PLATT	10	30/06 88	46.92	10.24	15.18	16.31	3.60	13.89	3.06	0.43	**50.00**	51.20	- 1.95
XII.	**FERTILISER**													
38.	GSFC	10	31/12 87	357.40	26.94	23.47	15.88	13.07	11.57	2.07	0.23	**151.25**	407.41	- 1.63
39.	SPIC	10	31/12/87	391.00	34.42	- 23.16	N.A.	1.47	44.22	2.20	1.01	**65.00**	223.73	12.55
XIII.	**FOOD PROD**													
40.	BRITANNIA	10	30/11/87	192.10	12 38	23.92	16.60	6.37	16.29	3.85	0.38	**103.75**	128.44	1.21
41.	BROOKE BOND	10	31 12/88	639.94	24.73	24.33	15.97	9.84	15.04	5.17	0.38	**148.00**	366.00	4.22
42.	HIND COCOA	10	30/06 88	73.70	8.40	16.55	21.10	4.45	25.84	5.39	0.45	**115.00**	96.60	- 4.17

BOOM CONTINUES

Despite substantial selling by the financial institutions, equity values continued to boom during the fortnight ended 14 April. This was mainly due to sustained speculative support and hectic bear covering.

Confirming the bullish trend, The *Economic Times* index of ordinary shares moved up from 394.8 on 31 March to 399.7 on 13 April — a rise of 1.24%. Following suit, the *Financial Express* index also rose from 550.72 to 570.18 during the same period.The *Businessworld* index recorded a gain from 196.36 on 31 March to 203.18 on 13 April.

The main feature of trading during the fortnight was the unprecedented rise in Tata Steel.The scrip zoomed from Rs 1,237.50 to over Rs 1,300 on sustained speculative and investment buying. The spurt was caused in part by the company announcing record production of salable steel during 1988-89. The financial performance

BUSINESSWORLD STOCKMARKET TABLE

	INDUSTRY COMPANY	FACE VALUE (Rs)	YEAR ENDED	SALES (Rs crores)	EQUITY CAPITAL	COMPOUND GROWTH OVER 5 YRS IN EARNINGS	IN DIVIDENDS	EPS (Rs)	P/E 14 APR	P/B/V 14 APR	PAYOUT	SHARE PRICE 14 APR (Rs)	MK CAP 14 APR (Rs crores)	%CH CAP 31 MAR
XIV.	HEAVY ENGG/PROJ													
43	EDCON ENGG	10	31/12/87	113.00	5.65	0.89	13.60	4.60	13.04	1.11	0.33	60.00	33.89	5.26
44	GAMMON	10	30/07/88	103.22	2.16	1.84	2.38	2.73	43.96	1.64	0.66	120.00	25.91	20.00
45	HIND DORR	10	30/11/87	42.66	2.38	25.48	14.03	16.43	11.56	3.41	0.23	190.00	45.28	66.25
46	ALFA LAVAL	10	30/11/87	51.00	5.21	15.13	15.63	5.37	21.42	2.95	0.34	115.00	59.92	0.98
XV	LIGHT ENGG													
47	SKF BEARING	100	31/12/87	83.86	12.35	15.64	7.60	87.77	32.13	8.14	0.25	2820.00	348.27	8.46
48	BHARAT FORGE	10	30/09/87	120.10	11.42	33.86	6.63	5.76	19.97	3.44	0.22	115.00	131.33	0.00
49	IND OXYGEN	10	30/09/87	131.00	14.60	9.51	1.03	2.16	22.22	2.26	0.74	48.00	70.08	1.05
50.	SANDVIK ASIA	100	31/12/88	45.81	5.78	9.31	12.33	46.89	15.78	2.93	0.53	740.00	42.77	1.99
XVI.	MULTI PRODUCTS													
51.	IEC	10	30/09/87	478.41	40.87	-17.55	3.37	1.24	44.35	1.95	1.06	55.00	224.79	0.00
52.	LARSEN & TOUBRO	10	30/09/87	573.10	60.75	7.47	15.43	4.55	22.64	2.80	0.41	103.00	625.73	1.48
53	RALLIS	10	31/05/88	261.66	9.52	14.72	20.80	4.86	29.84	3.62	0.62	145.00	138.04	3.33
54.	VOLTAS	100	31/08/88	544.70	12.78	16.68	12.34	75.89	9.22	2.03	0.29	700.00	89.46	0.72
XVII.	PASS VEHICLES													
55.	BAJAJ AUTO	10	30/06/88	552.83	18.82	30.54	28.68	15.54	28.15	3.82	0.26	437.50	823.38	4.17
56.	KINETIC ENGG	10	30/06/88	101.91	1.20	22.51	21.92	31.33	5.83	1.13	0.13	182.50	21.90	3.95
57.	HIND MOTORS	10	31/03/88	429.99	26.41	NA	-7.20	1.02	-43.63	1.49	-0.74	44.50	117.52	4.70
XVIII.	PEST & AGROCHEM													
58.	BAYER	100	31/12/87	111.70	16.22	9.38	12.80	27.19	32.00	5.16	0.59	870.00	141.11	1.16
59.	SEARLE	10	31/12/87	35.00	5.22	35.23	20.34	5.34	26.22	3.59	0.25	140.00	73.08	6.67
XIX.	PHARMA													
60.	GLINDIA	10	30/06/88	230.13	20.00	14.50	8.10	5.08	18.11	3.86	0.39	92.00	184.00	0.54
61.	HIND CIBA	100	31/12/87	176.80	17.71	6.26	13.26	38.17	25.28	3.46	0.52	965.00	170.90	2.66
62.	HOECHST	100	31/12/87	158.81	9.58	-16.27	6.52	13.67	62.91	2.32	0.73	860.00	82.39	2.39
XX.	PLANTATIONS													
63.	ASSAM CO	10	30/06/88	46.88	7.00	39.73	42.02	7.59	17.13	3.28	0.53	130.00	91.00	0.00
64	McLEOD RUSSEL	10	30/06/88	61.50	6.25	34.22	24.65	10.32	9.01	2.03	0.35	93.00	58.13	6.29
65.	TATA TEA	10	31/12/87	151.10	12.20	24.81	N.A.	9.04	16.54	2.72	0.50	149.50	182.39	1.70
XXI.	PLASTICS & PAPER													
66.	BALLARPUR	10	30/06/88	371.00	13.98	-3.45	1.17	3.44	37.06	2.20	0.64	127.50	178.25	15.91
67.	BHADRACHALAM	10	30/09/87	48.85	10.57	-4.64	7.84	4.16	12.74	2.21	2.00	53.00	56.02	0.00
68.	GARWARE POLY	10	30/06/88	102.82	10.94	19.25	23.48	5.29	14.65	2.39	0.29	77.50	84.79	0.00
69.	SUPREME IND	10	30/06/88	68.92	1.80	32.68	31.43	18.67	11.78	4.82	0.19	220.00	39.60	0.00
XXII.	POWER GENERATION													
70.	CAL ELEC SUPP	10	31/03/88	358.72	16.95	9.44	10.82	4.93	5.68	0.56	0.32	28.00	47.46	33.31
71.	TATA POWER	100	31/03/88	342.42	20.00	14.09	11.91	86.10	3.86	0.69	0.21	332.50	66.50	3.91
XXIII.	SERVICE IND													
72.	EAST IND HOTELS	10	31/03/88	80.25	23.61	1.77	3.69	2.94	18.03	1.97	0.52	53.00	125.13	5.36
73.	HDFC	100	30/06/88	106.20	19.79	33.12	27.37	65.45	3.04	0.91	0.26	199.00	39.38	0.51
74.	20TH CENT FIN	10	30/03/88	28.02	8.88	23.76	49.01	3.16	6.01	0.91	0.85	19.00	16.87	0.00
75	TATA UNISYS	10	31/12/87	27.12	4.38	1.18	12.19	3.54	21.19	4.11	0.62	75.00	32.85	0.00
XXIV.	SHIPPING													
76.	ESSAR SHIP	10	31/12/87	60.50	33.42	8.46	25.04	2.33	10.73	1.17	0.86	25.00	83.55	3.10
77.	GR EASTERN	10	30/06/88	112.55	55.66	12.54	7.85	1.69	25.74	2.55	0.51	43.50	242.12	4.82
XXV	SYNTHETIC TEXTILES													
78	CENTURY ENKA	100	31/12/88	308.79	16.61	37.53	20.82	223.24	12.14	4.03	0.19	2710.00	450.13	1.12
79	GRASIM	10	31/03/88	675.67	37.78	16.35	6.46	4.39	27.56	3.05	0.36	121.00	457.17	8.52
80	RELIANCE	10	31/06/88	1778.19	152.04	15.36	42.28	3.45	44.35	2.29	0.70	153.00	2326.21	9.29
	TOTAL			22844.26	1773.56								18802.17	

BUSINESSWORLD INDEX (14 APR) = 203.18 31 MAR = 196.36 (BASE 29 JUNE 1987 = 100)

EPS = EARNINGS PER SHARE P/E = PRICE EARNINGS RATIO P/B/V = MARKET PRICE TO BOOK VALUE %CH CAP PERCENTAGE CHANGE IN MARKET CAPITALISATION

is thus expected to be very good.

With Tata Steel showing the way, basic metals flared up. The *ET* index for these scrips rose from 652 to 666.8 — a 2.26% increase.

Cement shares were also cheerful. Their initial disappointing performance after the budget is now a thing of the past and marketmen seem to see some advantages of total decontrol after all. ACC, the trendsetting scrip, rose from Rs 293 to Rs 330 and the *ET* index recorded a 14% jump.

Cotton textile shares maintained a bullish trend on investment buying and the absence of fresh offerings.

"Equities will remain cheerful for some time because of strong fundamentals. Moreover, many reputed companies are expected to come out with excellent results. New issues too have evoked a good response," says Bharti Dhiren, the leading lady jobber on the Bombay stock exchange

■ *S Dhruv*

WILL THE BOOM COOL OFF?



The current boom may soon lose steam, but the decline will be phased, not sudden. This is not the time to invest, except in a very, very selective way

There is a saying in the market that when the cats and dogs start going up it is time to seek storm shelters. Cats and dogs — third rate shares — can only increase in price when the boom reaches unmanageable proportions. And that may well be the case now, leading to the obvious conclusion that a reaction is in store.

There was a reaction after the budget. However, the budget was soon forgotten as it did not contain any adverse measures. On the contrary, it announced an equity-linked savings plan to be managed by the Unit Trust of India. The specifics of this scheme are still awaited but it has been reliably learnt that the scheme will enjoy a tax shield under s.80CCA of the Income Tax Act, 1961. Should this happen, huge sums of money will be diverted to the stockmarkets resulting in maintaining the buoyancy.

The economy continues to be in fine fettle and the flow of corporate results is encouraging. Further, the big sharks are aware that the introduction of the uniform accounting year means that all companies will have to announce their results in May and June. This factor has contributed to the upsurge because a lot of good news is expected to be sandwiched in a couple of months.

However, according to seasoned operators, equity values are close to the peak and the steam left cannot take them much higher. It should be remembered that a similar boom was witnessed in 1985. Investors who bought shares close to the peak had reason enough to regret it later. The same could happen again.



According to numerous technical analysts who follow the Elliot Wave Theory, the stockmarkets are passing through the "fifth wave" — the last in a bull phase. Technically speaking, the "corrective phase" should set in now.

The fundamentalists also maintain that equity values will lose their lustre once the general elections are announced because of the attendant fears of political instability. Incidentally, for a change the views of both the fundamentalists and the technical analysts are the same.

However, stock values are unlikely to nosedive as there has been no adverse development. Besides, values will be supported by the cash rich financial institutions. Not only have they been instructed by the government to do so, it is also in their interest.

Moreover, just as the market has moved up in five waves, it should also retreat in three waves. This means the decline will be over a long period of time.

Thus, this is not the best time to invest in shares and stocks. Nevertheless, there are still some counters worth a second look.

Lime Chemicals Ltd., currently quoted at Rs 26 and engaged in the manufacture of calcium carbonate, appears to be well poised for growth. The company is also diversifying into dyestuffs.

KEC International is currently quoted at Rs 50. Though the equity capital will increase on the conversion of convertible debentures, the share has the potential to move up substantially.

Delton Cables, quoted at Rs 60, should report an earnings per share (EPS) of over Rs 25. The share should shoot up soon.

Mafatlal Fine, quoted at Rs 250, may announce an EPS of Rs 65 and move to over Rs 500 shortly. It is a good pick at the current price.

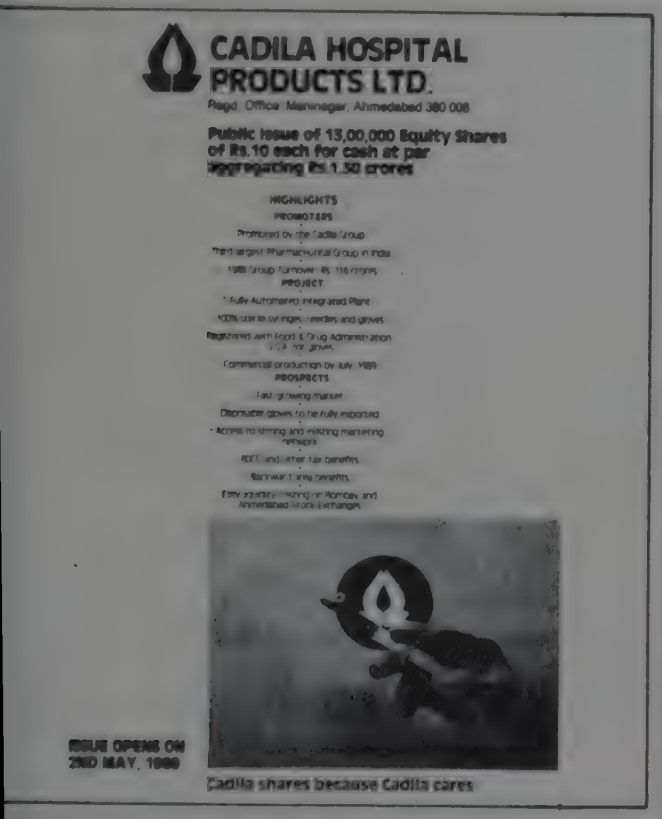
Colgate-Palmolive and **Mahindra & Mahindra** should also show good gains soon. Overall, however, it is better to tread cautiously now while there is a chance that the market might go to the dogs (and the cats).

■ *Gul Teckchandani*

The author is a Bombay-based investment consultant.

PICKING NEW ISSUES

Cadila Hospital Products Ltd. has been promoted by the Cadila group to set up an automatic integrated plant to manufacture disposable syringes (40 million per annum), disposable needles (80 million) and a plant for latex rubber examination gloves (25 million). The latex gloves unit is 100% export-oriented. The project cost is estimated at Rs 6.55 crores which is to be financed by term loans of Rs 3 crores, state and central subsidy of Rs 25 lakhs, promoters' contribution of Rs 2 crores and a public issue of Rs 1.3 crores.



The Cadila group has been in the pharmaceutical industry for the past 38 years. It is the third largest in the pharmaceutical industry in India as per the retail store audit report for pharmaceutical products published by the Operations Research Group.

The use of disposable syringes and needles has been on the rise due to the fear of infections caused by normal hypodermic needles. Similarly, rubber gloves are being used extensively in clinical and surgical applications as a matter of hygiene. The spread of diseases like hepatitis and Aids has given a boost to the demand for these products

Cadila Hospital Products has been cleared by the US Food and Drug Administration (FDA) for its latex examination and surgical gloves. This means it can market its products in that country. It will also smoothen its entry into the European market as well.

To part-finance the project the company is entering the capital market with a public issue of 13 lakh equity shares of Rs 10 each for cash at par. Commercial production is expected to commence in July 1989 and the management hopes to pay dividends within a reasonable period.

The long-term prospects for the company appear bright, especially given the backing of the Cadila group.

Issue opening date: 2 May 1989.

To help investors choose from among the public issues now on offer *BusinessWorld* takes a look at a few of them

Bhansali Engineering Polymers was incorporated on 9 April 1984 in the name of Bhansali Steels Ltd. Its name was changed to the present one after it decided to implement a project for the manufacture of acrylonitrile butadiene styrene (ABS) resins.

The project is being promoted by B.M. Bhansali and P.R. Bhansali in association with the Madhya Pradesh Audyogik Vikas Nigam Ltd. (MPAVN). The Bhansalis have an equity stake of Rs 2.42 crores and the MPAVN Rs 1 crore. The proposed public issue is of the order of Rs 3.60 crores. Thus the total capital will be Rs 7.02 crores.

The plant will have a licensed capacity to produce 6,000 tonnes per annum (tpa) of ABS resins and is estimated to cost Rs 25.25 crores.

To implement the project, the company has entered into a technical collaboration agreement with Sumitomo Chemical Engineering Co. Ltd. through Sumitomo Naugalvek Co. Ltd., both of which belong to the Sumitomo Group of Japan. The company has also initialled a draft agreement with National Organic Chemical Industries Ltd. for marketing its products.

Although the company has a licensed capacity of 6,000 tpa, the designed capacity of the plant will be 7,500 tpa. With the addition of minor balancing equipment it can be further augmented to 10,000 tpa.

ABS polymer is a highly versatile engineering plastic and its major users are industries such as automobiles, telecommunications, electronics, luggage, consumer durables and computers.

According to the management, the breakeven point is 48%. The capacity utilisation for the first year ending March 1991 is projected at 67%. Turnover is expected to be Rs 32 crores, gross profit Rs 6.23 crores and net profit Rs 3.05 crores.

In the second year ending March 1992, capacity utilisation is placed at 80% with turnover rising to Rs 39 crores, gross profit to Rs 8.38 crores and net profit to Rs 4.88 crores. In the third year, capacity utilisation is projected at 100% with a turnover of Rs 46 crores. Gross profit is expected to be Rs 10.52 crores and net profit Rs 6.74 crores.

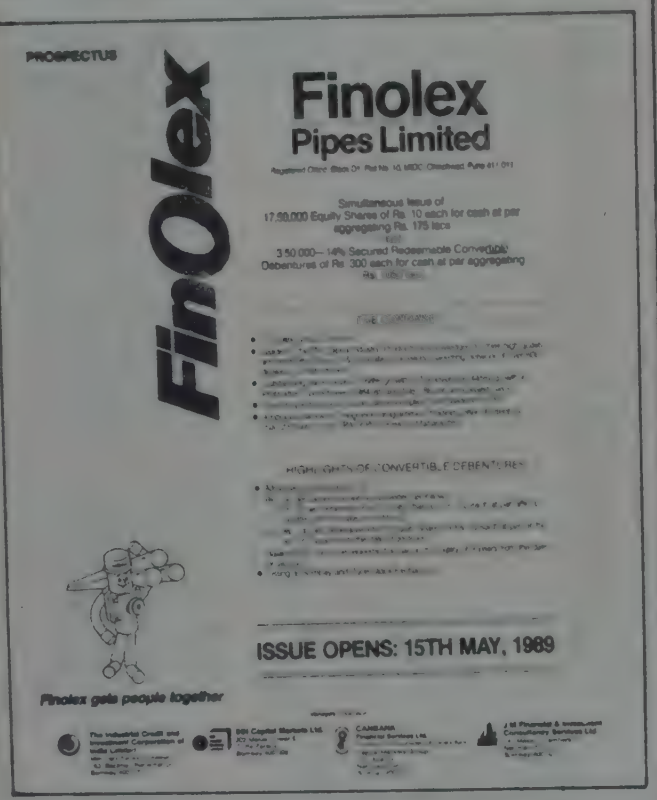
Based on the projections given by the man-

agement, the issue appears to be good.

Issue opening date: 2 May 1989.

Finolex Pipes is the largest single manufacturer of rigid PVC pipes and fittings in the country. Till recently a private limited company, Finolex will enter the capital market with a simultaneous issue of 17.50 lakh equity shares of Rs 10 each and 3.50 lakh 14% convertible debentures of Rs 300 each.

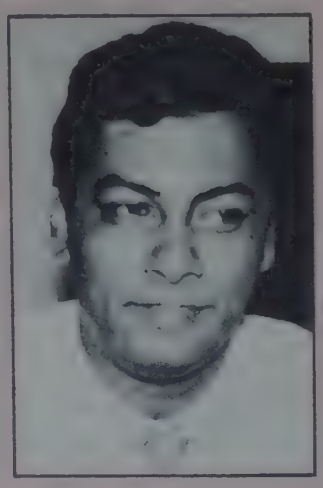
The purpose of the issue is to augment the long-term financial resources of the company for meeting capital expenditure and working capital requirements. The company's plant has an installed capacity of 25,000 tpa of PVC pipes and fittings and is located near Pune in the Pimpri-Chinchwad industrial area.



The company has secured a letter of intent for setting up a Rs 250-crore project to manufacture PVC resins near Ratnagiri in Maharashtra. The raw material for making PVC resins will be obtained from any of the upcoming gas crackers, preferably in Maharashtra. This backward integration project will, at full capacity, produce 1 lakh tpa of PVC resins. Of this, the Finolex group will require 35,000 tonnes for captive consumption.

PVC resin is an important raw material for the plastics industry and for the manufacture of various products like pipes, cables, films, profiles, etc. It is currently being imported in large quantities to bridge the gap between demand and supply. The project is expected to go on stream in 1992.

The company has an encouraging record of consistent growth and profitability. It has registered a 212% growth in turnover from Rs 23.55 crores in 1984-85 to Rs 72.66 crores in 1987-88. The net profit has gone up from Rs 36 lakhs to Rs 2.26 crores, a spurt of 528%.



The company has been paying dividend uninterruptedly since inception, the last dividend being 30%. With the backward integration programme, the company's turnover and profitability are expected to show a substantial jump in the coming years. The issue is strongly recommended.

Issue opening date not announced at the time of writing.

Linear Polymers is setting up a Rs 2.76-crore project to manufacture multilayer high barrier film at Daman. This film will be mainly used to pack various food products, oil and vanaspati, pharmaceuticals, etc. The civil construction work is in an advanced stage and the plant is being imported from a West Germany company. The project is likely to go on stream by September 1989. The company hopes to achieve 50% capacity utilisation by March 1990. To part-finance its project, the company is issuing 6.60 lakh equity shares of Rs 10 each at par.

From an investor's point of view, it would be advisable to skip the issue and consider buying the scrip when operations stabilise.

Issue opening date: 3 May.

Elcot New Era Technologies Ltd. (Elnet) is a revitalised joint sector company. It was formed after the takeover of Elcot Ltd. (a Tamil Nadu government electronics unit) by New Era Technologies Pvt. Ltd. The company proposes to expand its aluminium electrolytic capacitors' manufacturing capacity and also commence making a new product — potentiometers. The company currently makes 40 million capacitors per annum. The current installed capacity of 50 million pieces is to be raised to 65 million pieces by March 1991 at an additional cost of Rs 2 crores. This is expected to raise the turnover from Rs 1.83 crores at present to Rs 11 crores by 1991-92. The company's diversification into potentiometers will cost Rs 7 crores. The project will be in technical collaboration with a French or West German firm. Of the project cost, 50% will be met through a right issue of Rs 3.50 crores. This project is expected to go on stream by September 1990.

With a view to part financing the takeover and meeting the working capital requirements, the company is coming out with a public issue of 12 lakh equity shares aggregating Rs 1.20 crores. Besides the public issue, the promoters' contribution will be Rs 1.25 crores, making for a total issue of Rs 2.45 crores. A wait and watch policy is recommended.

Issue opening date not announced at the time of writing.

■ *Clifton Desilva*

The author is a Bombay-based investment manager.

NOW POLAR GIVES YOU THE PAPER AND BOARD WITH CLOUT.



rikingly SUPERIOR

ASS Speciality Coated Papers
d Boards. A great new
novation from the house of Polar,
der technical collaboration
h MDV GmbH of West Germany,
hich will make your products
nd out. Even in a crowd

The Ultra Metal Range—in Gold, Silver, Copper, other metallic colours—with various shades of each colour. Which has all the looks/feel of foil. Plus some advantages you never had before.

The Ultra Fluorescent Range in a wide choice of brilliant colours that are refreshingly bright.

The Speciality Polygum Range for self-adhesive and security printing applications

Also a range of anti-corrosive papers and films- for metals and alloys protection.

rcefully DIFFERENT

asily printable—no special process required as with foils
asily available—in sheets or reels. No waiting for supplies.

rprisingly ECONOMICAL

SS is more cost effective than foils and equivalent fluorescent ers and boards. And as such is the economic alternative to foil

SS Speciality Coated Papers and Boards are ideal for:

artons • Labels • Stickers • Tags • Decorative Overwraps
ookmarks • File and Book Covers • Cards • Airline Tags
otel Stationery • Educational Aids • Reverse Polyurethane
lister Packing and much more.

write to us. We will immediately revert with samples and
etailed catalogue. And we are sure you'll be impressed with what

KLAS
SPECIALITY COATED PAPERS AND BOARDS
In technical collaboration with MDV GmbH of West Germany

THE COST EFFECTIVE AID TO YOUR PACKAGING NEEDS

AR CHEM COATS LTD.
C-849, Site IV Industrial Area Sahibabad - 201 010 Ph: [illegible] East of Kailash New Delhi Ph: 6837427, 6831147, 6845300

Let us hammer home some facts.

DISTINGUISHED MEMBER
POLAR
GROUP



How Blue Star became a cool favourite with Garware Nylons without spinning a yarn.



BLUE STAR
the hi-technology Company

he strength of our engineering kills has ensured optimum erformance of Garware's r conditioning and refrigeration ystems for 25 years.



In a filament yarn plant, the quality of the filament yarn is directly related to the efficiency of the air conditioning system. And so it was only inevitable that a quality-conscious customer like Garware Nylons picked the most reliable people in air conditioning and refrigeration.

Ours has been a 25 year-old relationship based on mutual trust and confidence. Strengthened by our excellent record for cost-efficient project management and adherence to delivery schedules.

Over the years we've worked closely with the Garware team to conceive, design and install systems suited to meet the critical demands of the plant. Creating the perfect air temperature, pressure and humidity conditions for optimum output. And saving thousands of rupees on power consumption each month.

Successes such as these have made us the leaders in air conditioning and refrigeration for over 40 years. With some of the most complex and prestigious projects to our name.

Manufacturing collaboration with world-famous YORK

Our manufacturing collaboration with York International, USA, a world leader in the field, now puts the finest technology to work in India.

Enabling us to engineer, custom-build and install energy-conserving, performance-efficient systems that perfectly match each client's specific requirements.

BLUE STAR AC & R PROJECTS GROUP

Manufacturing Collaborations

York International, USA

Philips Industries Inc, USA

New Product Launches

Blue Star-York Centrifugal Packaged Chillers

Blue Star-York Reciprocating Packaged Chillers

Blue Star-York Air Handling Units

Blue Star-York Finned Coils

Blue Star Packaged & Split-type Air Conditioners

Contracting

Central Plants and Systems for:

- Air Conditioning
- Refrigeration
- Heating
- Ventilation
- Evaporative Cooling
- Humidification
- Plumbing



Blue Star – YORK **centrifugal chiller manufactured to the world-famous York design.**

The way we put it all together, is what sets us apart.

BLUE STAR-YORK
AIR CONDITIONING • REFRIGERATION



Allwyn Furniture Systems. Your key to a readymade office. Executive Tables. Chairs. Filing Cabinets. Cupboards.

Allwyn. The metalcraft legend that put its expertise to work. And created office furniture that's guaranteed to outlast lifetimes.

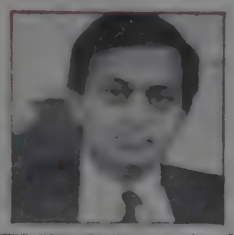
Allwyn. Designed for today's corporate needs. And destined to match tomorrow's.

ALLWYN

Hyderabad Allwyn Limited
Allwyn Bhavan, Sanatnagar HYDERABAD-500 018.

Executive Tables ★Chairs ★Filing Cabinets ★Cupboards ★Canteen Tables ★Lockers ★Slotted Angle Racks ★Lecture Hall Tables
Wardrobes ★Air Conditioners ★Bottle Coolers ★Deep Freezers ★Refrigerators ★Watches.

Hyderabad Allwyn Area Offices : * Ahmedabad Ph : 77407 * Bangalore Ph : 238885 * Bhopal Ph : 64122 * Bhubaneswar Ph : 52271 * Bombay Ph : 4927575, 4927586, 4934178, 4921051 * * Calcutta Ph : 440437, 446853, 433576 * Chandigarh Ph : 41941 * Cuddapah Ph : 2063 * Ernakulam Ph : 368002 * Gauhati Ph : 32691 * Ghaziabad Ph : 8710834 * Hyderabad Ph : 43407 * Jabalpur Ph : 22665 * Jaipur Ph : 65729 * Kanpur Ph : 245249 * Karnal Ph : 2480 * Madras Ph : 861401 * Nagpur, New Delhi Ph : 734740, 730715 * Patna Ph : 25338 * Pune Ph : 439029 * Vijayawada Ph : 62544 * Visakhapatnam Ph : 61652



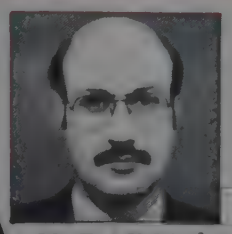
JAITHIRTH RAO, head of Citibank's consumer services group, has taken over as the bank's chief executive officer for India.



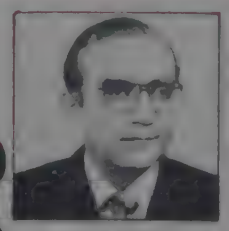
M.A. HAI has been appointed chairman and managing director of the National Hydroelectric Power Corporation.



SURESH M. HARIANI has been appointed managing director of Thermax Babcock & Wilcox Pvt. Ltd., Pune.



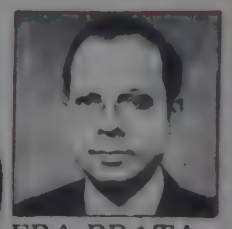
A.K. RAINA has taken over as chief executive of Metallgesellschaft (India) Ltd.



R.P. MUNGLA has taken over as director (finance), National Thermal Power Corporation Ltd.



P.B. GHOSH, deputy managing director of the Calcutta Electric Supply Corporation, has been appointed its managing director.



DEBA BRATA GHOSH has been elected president of the Federation of Hosiery Manufacturers' Association of India.



ARUN N. DRAVID has been appointed managing director and chief executive officer of Humphreys & Glasgow Consultants Pvt. Ltd.



JAGDISH CHANDRA, executive director of Usha Rectifier Corporation, has been elevated to the post of group vice-president (electronics) and appointed director on the board.



WILHELM SEBARDT has taken over as managing director of Sandvik Asia Ltd. Earlier, he was vice-president (international marketing), Sandvik Rock Tools AB, Sweden.



ANIL KADAM has been appointed assistant director (corporate affairs), Air-India.



K.K. MITRA has been appointed financial advisor and chief accounts officer, Central Organisation, Railway Electrification, Allahabad.

PICK OF THE JOBS



"For technological advancement of a country, one of the most important assets is human resources but, unfortunately, there is a tremendous shortage of this," observes Chander Batheja, director of The Concept, a management consultancy firm.

Batheja suggests the launching of a comprehensive educational offensive to remedy this state of affairs. He feels "the law should provide for federal institutes of technology and management which enjoy greater autonomy than traditional institutes. This would be in line with the changing times and help in producing future leaders and managers for our economy," says he.

GROUP DIRECTOR — FINANCE



Personnel Search Services is looking for a group director (finance) to manage the financial aspects of a large business house in Bombay. The group has interests in engineering, electronics, telecommunications, computers, consumer products and commodities.

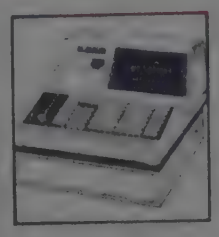
The right candidate is likely to be a CA and company secretary, around 50 years of age, who has managed the financial side of a large company or a smaller one in a large group. He should have significant achievements to his credit besides having a reputation in senior financial circles.

The appointee will report to the group chairman and will be responsible for the overall financial affairs of all group companies. The thrust would be in the areas of investment analysis and planning, performance analysis and monitoring, and project financing on a large scale.

The salary and perquisites will be very attractive.

Enquiries to Personnel Search Services, 3rd Floor, Sambava Chambers, Sir P.M. Road, Bombay-400001. Tel: 2862660, 295963, 2860755.

MANAGING DIRECTOR



An engineering company in Bombay which is part of a large industrial group has retained Personnel Search Services to recruit a managing director. The company is internationally known in a specialised field of engineering projects and is the largest in Asia in this line.

The managing director will provide leadership and direction to the company's operations.

The aspirant would preferably have an engineering degree and possess multifunctional experience in the engineering industry. He should be at a senior level and should have man-management skills of the highest order. The preferred age group is 45 to 50 years.

Emoluments are absolutely open with provision for all top management perquisites.

CHIEF EXECUTIVE



The Concept requires a chief executive for the TV and electronics unit of a diversified Bombay-based organisation. Currently, the unit is being reorganised. Major product innovations and developments are also being envisaged.

The aspirant should be a seasoned technocrat between 35 and 45 years of age with over 15 years' experience. Of this at least five to seven years should have been in the electronics industry as an independent profit centre head. An excellent track record of growth, product innovation and profit achievement is essential.

The salary will be over Rs 2 lakhs per annum with excellent perquisites including a house and a car.

Enquiries to The Concept, 67 White Hall, 143 August Kranti Marg, Bombay-400036. Tel. 8224422-23/ 8118319.

PRODUCT MANAGER



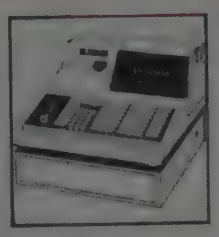
Crest Management Services is looking for a product manager to take charge of a lighting division for a Madras-based consumer durables company.

The aspirant should be an electrical engineer. He should be around 35 years of age with postgraduate qualifications in management and 10 years' experience in sales. He should have the capacity to motivate a team.

The compensation package will be for the asking and the appointee will report to the branch manager.

Enquiries to Crest Management Services, 203 Famous Cine Building, 20 Dr E. Moses Road, Mahalaxmi, Bombay-400011. Tel: 4936736.

ACCOUNT DIRECTOR



Crest is looking for a dynamic account director for an advertising agency in Bombay.

The aspirant should be an MBA with over eight years' experience in client servicing with reputed agencies. He should be between 30 and 35 years of age. Good man-management skills are essential.

The salary will be very attractive and will be commensurate with experience and ability.

ADVERTISING MANAGER



Crest has been retained by a group of publications in Bombay to recruit an advertising manager capable of handling a team of 7 to 10 executives.

The aspirant should be a graduate based in Bombay with over five years' experience in selling space.

The salary will be negotiable and there will be an array of goodies thrown in.

TAXATION MANAGER



Career Placement & Marketing Services is looking for an accounts wizard to take over as a taxation manager of a leading group of companies dealing in consumer durables. The group has an annual turnover of over Rs 1,000 crores. The job will be based in the corporate headquarters at Bombay.

The aspirant should be a chartered accountant with a law degree. He should be between 45 and 50 years of age, with at least 10 to 15 years' experience in taxation. Of this at least five to seven years should have been spent handling personal taxation matters of directors/trustees etc. He should be fully conversant with all taxation laws.

The main thrust of his duties would be planning and managing the entire personal income tax, wealth tax, estate duty, partnership firms, private/charitable trusts and investment companies in the group.

The salary will be around Rs 10,000 per month and there will be lavish perquisites including a chauffeur-driven car.

Enquiries to Career Placement & Marketing Services, P.B.No. 8105, Bombay-400051.

GENERAL MANAGER — PRODUCTION & PLANNING



A reputed engineering company based in Bombay has retained Career Placement & Marketing Services to track down a general manager (production and planning).

Aspirants should be mechanical engineers, between 45 and 50 years of age, having 20 to 25 years' experience on the shopfloor.

The job entails planning the production of transmission line towers for two factories as well as looking after contractual obligations. He will be required to interact with other departmental heads so as to obtain the maximum level of production.

The salary will be negotiable on the higher side of Rs 7,500 a month and perks will be liberal.

VICE-PRESIDENT — MARKETING



Tristar Consultants is looking for a vice-president (marketing) for a fast-growing multinational consumer product manufacturer in Bombay.

The aspirant should be a graduate, preferably an MBA between 38 to 45 years of age, with experience in a multinational company. He should have strong consumer marketing experience including product development, product launches and should be capable of leading a team of professionals towards achieving targets. Experience of handling profit centres would be an added advantage.

The salary would be over Rs 3.5 lakhs per annum and includes company accommodation, a chauffeur-driven car and other perks.

Enquiries to Tristar Consultants, 616 Maker Chambers V, Nariman Point, Bombay-400021. Tel: 233905/ 240377.

DIVISIONAL MANAGER



Tristar Consultants is looking for a divisional manager for a company involved in information technology. This outfit is part of a large industrial group.

The aspirant should be a postgraduate in business administration or a qualified chartered accountant.. He should be around 40 years of age, with a sound management track record in a computer-oriented company. He should be capable of heading a profit centre.

The job entails computer feasibility studies, leading a team of software engineers in the development of turnkey solutions and a problem-solving approach. The appointee, who will be based in Bombay, will report to the MD.

The remuneration is slated to be around Rs 1 lakh per annum but is negotiable.

PURCHASE CONTROLLER



One of the largest polyester yarn manufacturers has retained Tristar Consultants to recruit a purchase controller to be based in Bombay.

The aspirant should be an engineer with a postgraduate qualification in materials management. He should be around 45 years of age and should have handled purchases up to Rs 200 crores, preferably from the petroleum or fertiliser industry. He should have good government contacts and a good rapport with customs, excise etc. The main thrust of his duties would be to handle credit control, cash and fund flow and inventory control. The appointee will report to the chief executive unit control.

The pay package could be a hefty Rs 2 lakhs per annum.

CHIEF EXECUTIVE — CONSTRUCTION



A large group of companies having manufacturing activities in India and abroad have retained Tristar Consultants to recruit a chief executive. The position has arisen in a new company, which has been formed to construct highways, bridges, tunnels and implement other civil engineering projects.

The aspirant should be a civil engineer, between 40 and 50 years of age with relevant experience. General management exposure is a must.

The appointee, to be based in Bombay, will draw a pay package exceeding Rs 2.5 lakhs a year along with company accommodation and other perks.

■ *Indra Giduani*

NEW PATHS AND CONFORMITY



Newcomers to an organisation should neither be overly willing to accept the status quo nor too pushy about change. They must take the middle path

If there is one problem that is probably common to the whole world, it is that the number of listeners is dwindling. Most of us rush to comment, voice an opinion and criticise; few have the patience to wait and listen. And that applies particularly to newcomers in corporate organisations.

A newcomer would usually be bursting with ideas and impatient to experiment. If he has started out at the lowest level, he may be somewhat more restrained in his comments, especially if he does not know much. If he is a product of one of the major management institutes, he may be critical of some of the systems and procedures in his chosen company for he mentally compares them with what he has learnt in business school. In voicing criticism, he may create enemies of his colleagues (who may resent his superiority complex) and his bosses (who may feel the young man is too 'cocky').

If the newcomer enters at the middle level, he may be inclined to hark back to his earlier experiences in other companies. His colleagues and subordinates will soon be sick and tired of listening to how he "used to do it this way" in company X. Behind his back they will be whispering: If company X is all that great why didn't he stay there?

Even for entrants to the top management, there are similar problems. Of course, top management being top management, more people in subordinate positions will be inclined to listen, at least perfunctorily.

HUMAN RELATIONS HELP

To gain acceptance, newcomers should really act like salesmen — and follow all the steps of the selling process. They should spend a couple of months just getting to know and understanding people. The secret is in listening to people, appreciating their contribution and asking questions to clarify opinions and problems.

It is only after one has passed this stage of acceptance that one can safely — and more confidently — begin to make changes. And in doing so, the most acceptable style is to work by suggestion.

Of course, all this is easier said than done. Most of us want to justify our selection. Later, we want to justify our eligibility for promotion; or a double increment; or a trip abroad. So the 'I' factor comes into play. And the bigger it gets, the greater the resistance.

Striking the right balance between conformity and the need to break new paths is a very delicate exercise. One can't get into an existing mould and remain rigid for fear of creating disturbing ripples. That is how many large organisations crumble: everyone, including new entrants, is afraid to disturb the *status quo*. On the other hand, one can't rush in and bulldoze change without giving everybody a chance to get used to the idea.

The following classic case study used in management programmes should illustrate the point about the need to strike a balance. It is the story of a bright, and relatively young marketing executive who had achieved departmental head status in a sizable corporation. His brilliance in marketing was unchallenged in his company, and very probably his creativity could have enabled him to rise further up the corporate ladder in due course.

As this executive continued to rise in his marketing area, he kept himself abreast of such areas as production manufacture, financial controls, computer usage, and even laboratory-related research that had a bearing on his company's product areas. In other words, he had a sound knowledge base on which to found a successful career. Unfortunately, he set about disseminating his knowledge to the company executive vice-president in a series of memo suggestions.

At first, the executive vice-president was impressed. In fact, he would occasionally forward the memos to the departmental head concerned for consideration. The first batch of such memos was accepted by the departmental heads with genuine appreciation. But before long the inevitable happened. At an inter-departmental meeting attended by the company president, the marketing executive attempted to inject creativity in an atmosphere which did not call for such creativity.

The president had queried the engineering chief on a fairly technical subject. Our young man waited for the engineering head to respond and respectfully added supplementary suggestions of his own. It seemed a helpful thing to do. The company president thanked him for the ideas and then quickly changed the subject.

Within the course of the next week, the executive vice-president called in the marketing executive and rather coldly suggested that in future he should confine his observations to his own department. The executive vice-president had, of course, been given the word from the president, who had taken umbrage. The career prospects of the young executive were jeopardised, as evidenced by the president's five-word comment to the executive vice-president: "I can't stand pushy guys."

■ *Walter E. Vieira*

The author is a Bombay-based management consultant.

Deputy General Manager
PERSONNEL & INDUSTRIAL RELATIONS

for our 2.2 million tonnes per annum cement plants at Awarpur in Chandrapur District, Maharashtra.

Selected candidate will be responsible for all functions related to personnel and industrial relations, and will report to the General Manager. His responsibilities will cover employee relations, Union negotiations, recruitment and manpower planning, wage and salary administration and HRD. He will lead a team of professionals, and will have to formulate and implement policies and guidelines relating to various aspects of personnel management. Job involves dealing with external agencies such as labour department, labour courts and other government agencies.

Qualifications: post-graduate Degree/Diploma in Personnel Management/Industrial Relations from a recognised Institute. Degree in Law, an advantage.

Minimum experience: 15 years relevant experience in a reputed organisation, of which at least 5 years must be at senior management level in a large industrial undertaking.

Age: 40 – 45 years.

Emoluments: the Company offers an attractive remuneration package commensurate with qualifications and experience. Excellent prospects for growth are assured.

Perquisites include furnished accommodation, car under the Company's car scheme, leave travel assistance, medical and generous retirement benefits.

Apply within 15 days, in strict confidence, stating age, details of qualifications, experience, salary drawn and expected, quoting Ref. No. CPD/103 ON APPLICATION AND ENVELOPE to General Manager (Personnel & HRD):

LARSEN & TOUBRO LIMITED
Powai Works, Post Box 8901, BOMBAY 400 072

APPOINTMENTS

INDIAN INSTITUTE OF SOCIAL WELFARE AND BUSINESS MANAGEMENT CALCUTTA

proposes to appoint a

DIRECTOR

The Institute was founded in 1953 under the leadership of late Dr B C Roy, the then Chief Minister of West Bengal. It is the first Government recognized Management Institute in the country. Its MBA Programme, both day and evening courses, is recognized by the All India Council for Technical Education, Government of India.

The Director is responsible to provide leadership and direction in the effective running of the Institute as well as excellence in the academic environment, with special focus on public systems management.

The requisite qualifications for the position are:

A Ph.D Degree, preferably in a discipline relevant to management education from a recognized university and about 10 years' teaching experience at post-graduate level with proven administrative/ managerial abilities.

OR

A Post Graduate Degree from a recognized university with about 5 years' administrative/managerial experience at the top level either in the Government or business/industry of repute with proven aptitude for teaching/applied research.

The preferred age group is 45-55 years.

The position carries compensation available for similar autonomous Institutes.

The IISWBM Board of Governors invites suggestions/applications for/from suitable persons to be considered for the position. All communications may be addressed within 30 days to:

Mr. P.C. Sen
Chairman, IISWBM Board of Governors
6C, Middleton Street Calcutta-700016

The envelope should be marked
"Application for Director, IISWBM"

SEKAI/IISWBM/5108

APPOINTMENTS

A fast growing Indian company, part of a well established group, wishes to recruit the following senior personnel. The company, which expects to achieve a turnover of Rs. 100 crores in a year's time, is engaged in the manufacture and sale of industrial products to users primarily in the steel, aluminium and cement industries.

GENERAL MANAGER (MARKETING)

(MS/5067)

Eastern India

Very attractive salary + house + car + senior perks

This is a senior management position and the incumbent would be overall responsible for the marketing function covering domestic sales, which involves primarily direct sales to customers, as well as export sales.

Applicants must be engineers (preferably metallurgical or chemical) with atleast 15 years experience in sales of industrial products including atleast 5 – 7 years at a senior level. An additional management qualification would be a definite advantage. Preferred age: 35 – 45 years.

EXPORT MANAGER

(MS/5068)

Bombay

Very attractive salary (negotiable)

The incumbent, who would report to the General Manager (Marketing), would be responsible for export sales of company manufactured and other products. Exports are a thrust area for the company, which expects to achieve a sales turnover of around Rs. 10 – 12 crores this year.

Applicants should preferably have post graduate qualifications from IIFT and should have a proven track record in developing export sales with relevant experience of atleast 10 years. Preferred age: around 35 years.

An attractive remuneration package, which is not a constraining factor, would be negotiated.

Please apply in strict confidence, within 10 days to:

A. F. Ferguson Associates
Post Box 1786
Bombay 400 001

giving full details of age, qualifications, experience and salaries drawn. All applications and envelopes should be marked with the relevant MS reference number. Candidates not contacted within three months of application, may assume that they are not being considered.

APPOINTMENTS

BIAX PACKAGING LIMITED

BIAX PACKAGING LIMITED, a joint Sector venture of BIRLA EASTERN (INVESTMENTS) LIMITED AND WBIDC LIMITED, is setting up a Rs. 31 Crore project for manufacture of Biaxially Oriented Poly-propylene (BOPP) Film, located at Barjora, District Bankaura (near Durgapur), West Bengal.

Applications are invited from dynamic professional for the following positions for placement at the plant :

MATERIALS MANAGER

The incumbent will be responsible for raw material planning and procurement, purchase of capital goods and engineering spares, vendor development and inventory management. Thorough knowledge of import policy and licensing procedures, customs regulations etc. are necessary. Candidates should be Engineering Graduates with specialisation in Materials Management together with 10-12 years relevant experience with a reputed organisation.

PERSONNEL & ADMINISTRATION MANAGER

The incumbent will be responsible for all personnel and administrative functions of the Company. Should have a proven track record in defining and implementing long term Personnel & IR Policies. Should be thoroughly conversant with all statutes in the State of West Bengal as well as on an all India basis in Personnel & IR areas. Candidates should preferably have MBA/Post Graduate Diploma in Personnel Management & IR with atleast 12-15 years experience as a front line Manager of a large manufacturing organisation.

The company offers an excellent compensation package and this will not be limiting factor for the right candidate.

Please apply within 10 days with full details of age, qualifications, experience, salary drawn and expected alongwith a recent passport size photograph to :

BIAX PACKAGING LIMITED
Birla Bldg. (2nd Floor)
91/1, RN Mukherjee Road, Calcutta 700 001

ga/592

APPOINTMENTS

Thermax is a technology-intensive, customer-driven and value-oriented organisation — innovating, manufacturing and marketing a wide range of equipment and systems for Energy, Environment and Exports, among other lines of business. The Company's track record is distinctive; and the present turnover exceeds Rs. 100 crores.

The Human Resources Division actively facilitates a work climate characterised by enterprise, integrity, openness, teamwork and professional competence. The function operates at the leading edge of professional innovation in human resources development — simultaneously fostering task effectiveness and nurturing people.

We require:

1. ASSISTANT MANAGER – HUMAN RESOURCES

We are looking for a professional with a clear commitment to human potential, behavioural sciences and its application to business organisations, who must have handled personnel areas such as recruitment, compensation and benefits, appraisals and career planning. Experience in the training function will be an advantage

The job involves providing a versatile and wide range of professional human resources support to a group of business divisions in a multi-divisional organisation structure.

A sensitive and responsive individual around 30 years of age with relevant experience of about 7 to 10 years. Administrative talent and a high degree of service orientation will meet our requirement

Engineering graduates with post-graduation in Business Management and other graduates with post-graduation in Personnel or Business Management from leading institutes like the IIMs, XLRI, Jamnalal Bajaj or TISS may apply.

This is a management position.

2. MANAGER – MANPOWER PLANNING

We are looking for a person with 8 to 10 years of experience in organisation and methods, systems analysis and productivity improvement in an engineering company. Experience of work in project management and turnkey contract organisations will be helpful. An engineer around 35 years of age with post-graduation in methods engineering or industrial engineering.

It is important that the individual must have handled productivity improvement programmes involving secretarial and clerical support staff and professionals such as project, service engineers, commercial and finance professionals. The person must be able to sensitively blend human issues with a hard-nosed systems approach.

This is a senior management position

Salary will be commensurate with qualifications, experience and competence of the candidate.

Thermax is known for its congenial and challenging work environment, fair people-practices, in-house training and career-nurturing HR policies

Please send in your resume within 15 days to:

The General Manager
Human Resources Division
Thermax Private Limited
Chinchwad, PUNE 411 019

THERMAX

APPOINTMENTS

INDIAN RARE EARTHS LIMITED

(A Government of India Undertaking)

I.R.E.

NEEDS

ASST. MANAGER

(COMMERCIAL)

for its Unit at OSCOM Project, Chatrapur, Orissa

■ THE COMPANY ■

IRE is a wholly owned Government of India Undertaking functioning under the administrative control of the Department of Atomic Energy. The Company is presently engaged in beach sand mining and processing in Kerala, Tamil Nadu and Orissa. Having an annual turnover of around Rs. 50 crores, of which approx. 50% is represented by export sales, Indian rare Earths is poised for considerable growth over the next few years with its project in Orissa having gone into commercial production.

■ THE REQUIREMENTS ■

QUALIFICATION: Degree in Engineering and Diploma in Material Management with M.B.A. as added qualifications.

EXPERIENCE: Minimum 8 years post-qualification experience in Industry in the functional areas of Purchase, Stores and Marketing.

■ IN GENERAL ■

AGE: Not exceeding 40 years.

SCALE OF PAY: Rs: 1600-70-1810-75-2335/- (Total emoluments including basic pay, Interim Relief & VDA will be Rs.3080/- p.m.

THE PAY SCALE IS LIKELY TO BE REVISED SHORTLY.

A higher start may be offered to candidates with outstanding merit.

Preference will be given to scheduled castes/scheduled Tribes candidates.

Relaxation upto 5 years in age and 2 years in experience will be made in the case of candidates from Scheduled Castes and Scheduled Tribes. In addition to Pay and Allowance, other benefits include Provident Fund, Gratuity, LTC, Medical Benefits, encashment of earned leave, House Building Advance, etc. according to the rules of the Company.

■ HOW TO APPLY ■

Candidates from Government Departments and Public Sector Undertakings should forward their applications through their present employers. Those called for interview will be paid Ist class return train fare by the shortest route on production of railway cash receipts/cancelled ticket/ticket No.

Please apply giving details of qualifications with year of passing, working experience (past & present), positions held, whether SC/ST alongwith copies of certificates/ testimonials duly attested superscribing the envelope with the post applied for, to the **General Manager (P&A), Indian Rare Earths Ltd., Sherbanoo, 6th Fl.,111 Maharshi Karve Road, Bombay 400 020 within 15 days from the date of this advertisement.**

APPLICATIONS NOT COMPLYING WITH THE ABOVE REQUIREMENTS WILL BE REJECTED.

APPOINTMENTS

SPARTEK

SENIOR MARKETING PROFESSIONALS

We have been retained by Spartek Ceramics India Limited to advise on the recruitment to the following senior positions.

SPARTEK within a short period of 5 years has emerged as a leading unit in the Ceramics Industry and a household name for floor tiles. With the acquisition of Neyveli Ceramics and Refractories Limited, and the proposed Spartek Granites Limited (a 100% Export Oriented Unit) SPARTEK will be a dynamic force in the Ceramic Industry. This highly profitable and aggressively growing company has other ambitious plans for further growth. The Company is professionally managed and is headed by a young and enterprising Managing Director.

MADRAS MARKETING MANAGER Rs.1,00,000 + PERKS

Candidates for this position should have Post Graduate qualifications in Business Administration from institutions of repute and atleast 10 years experience in managing the total marketing function in leading consumer product companies known for their innovative and aggressive marketing. In addition to strong conceptual skills, candidates should possess dynamic leadership skills to lead a team of result oriented professionals.

MADRAS SALES MANAGERS Rs.1,00,000 + PERKS

The Company is also looking for competent young professionals to fill up the following positions:

1. SALES MANAGER — RETAIL & CUSTOMER SERVICES
2. SALES MANAGER — INSTITUTIONAL SALES

Candidates should have Post Graduate Qualifications in Business Administration from reputed institutions and 10 years hard core selling experience in consumer products. Preference will be given to candidates with experience in the above lines. However, the company is basically looking for dynamic professionals who have the confidence to achieve results.

In addition to the remuneration indicated, the company offers attractive perquisites and a congenial atmosphere for professional growth and development.

Please apply in strict confidence with a detailed bio-data and a recent passport size photograph within 10 days, to:

BRC

Dr.A. Besant C. Raj,
The Managing Director
Besant Raj Consultants (P) Ltd.
112, St. Mary's Road, Madras 600 018
Phone: 458653/455399 Grams: "BEEORCEE" Telex: 041-6778 BRC-IN

APPOINTMENTS

DSP Financial Consultants Limited
TRADE MERCHANT BANKING DIVISION

NEW DELHI / BOMBAY

We are a leading Merchant Banking Organisation in India, working in close association with several leading international commercial and investment banks.

We now propose to diversify into International Trade related businesses. We have already established relationships with some of our overseas associates for this division.

We are looking for the following key personnel for our new **Trade Merchant Banking Division,** which we are in the process of organising.

Vice President
(Code No. DSP / TMBD - 01)

The Job : The incumbent will be responsible for planning, executing and developing the Trade Merchant Banking Division. Apart from identifying opportunities and converting them into successful business transactions, he will be responsible for maintaining a close relationship with both Indian and overseas clients and our overseas business associates.

He will have access to the existing infrastructure of DSP in the form of business contacts, experienced professionals and other resources.

The Person : He should have proven managerial skills, experience at a responsible level in negotiating and dealing with international groups, organising a new business and team leadership. He should be able to bring transactions to successful fruition right from the conceptual stage. First hand knowledge of the global trade scenario and various industries will be advantageous.

Preferred Age : Around 40 years.

Techno-commercial Executive
(Code No. DSP / TMBD - 02)

The Job : The incumbent will be responsible for understanding various products of interest to clients, identifying supply sources or potential applications, negotiating transactions and maintaining clients/products/sources related databases.

The Person : He should be conversant in both technical and managerial functions with a minimum of 5 years experience in international trading. Knowledge of various industries, quality attributes of different products and international standards would be an added advantage.

Preferred Age : Around 30 years.

Operations Executive
(Code No. DSP / TMBD - 03)

The Job : The incumbent will be responsible for handling export & import documentation including L/Cs, managing international trade logistics, credit collection and for interacting closely with clients at both ends.

The Person : He should have a sound hands-on knowledge of export & import regulations, policies and procedures. At least 5 years experience in international trading is essential.

Preferred Age : Around 30 years.

The jobs will entail travelling in India and abroad.
The remuneration package is attractive and designed to attract the best talent in the country.

Persons with initiative, looking for challenging opportunities in a dynamic work environment should write in confidence within 15 days of this advertisement. Applications should include a detailed curriculum vitae, stating present position and current and expected salary. Please superscribe the envelope prominently with the relevant code for the position applied for.

Vice President
DSP Financial Consultants Ltd.
307, Raheja Chambers, 213, Backbay Reclamation, Bombay 400 021.

Pratibha/DSP/3-89 A

APPOINTMENTS

A multi product company, enjoying market leadership for the last 20 years having technical collaborations with the well renowned groups from United States, Canada and France with a turnover of more than Rs.100 crores, wishes to recruit the following personnel to be based at **PUNE**

The Organisation is highly professionally managed with bias to consumer orientation. The congenial work atmosphere, open communication, excellent R & D backing, innovative and result oriented attitudes of the personnel are the key aspects to its success. The product line varies from Genetic Engineering to Pharmaceuticals.

Result oriented, dynamic professionals with good track record with high level of achievement motivation and self starters are required by the Organisation.

MARKETING MANAGER :

The incumbent should be a graduate with post graduation in management from a reputed Institution. Should be in the age group of 30 – 35 years. Should have handled marketing function independently in an organisation of repute for not less than 5 years. Experience in Agro-chemical, Fertiliser, Oilseed, Livestock, Agricultural commodities and Pharmaceutical sectors is desirable.

EXECUTIVE SECRETARY TO MANAGING DIRECTOR :

The incumbent should be a graduate with high level of proficiency in Typing and Shorthand and should have exposure to operate Fax, Telex, Personal Computer independently. Should have pleasing personality traits, good oral and written communication abilities, inter personal behavioural skills and above all to maintain the confidentiality. The desirable age group is around 35 years and not less than 5 years experience in a similar position.

For the right candidate besides attractive salary, perks including CPF, Superannuation, LTC, Medical Reimbursement and Gratuity will be offered.

Please send your Resume' with details on salary drawn and expected, superscribing the envelope the position applied for, to :

Box No. 721, BusinessWorld,
6, Prafulla Sarkar Street, Calcutta 700 001

Hindustan Motors Limited
(Uttarpara)

NEEDS
COMPUTER PROFESSIONALS

Our **Management Services Department** provides information and decision making support to our Automobile Division through **a large computer network** comprising mainframe, mini and micro computers. We are currently engaged in installing **on-line facilities** using the latest concepts of **data base management.** In this challenging task, we require a number of computer professionals to strengthen our existing team.

The candidates should be engineering graduates or post graduates in statistics/mathematics with 5-10 years' experience in Sofware applications. Experience with data base and data communication on mainframe systems will be a distinct advantage.

Attractive salary and perquisites package is assured for the right candidates. Placement in grades will depend on academic excellence, quality of experience and track record.

Please apply with complete bio-data within 15 days to :

General Manager (HRD)
Hindustan Motors Limited
Birla Building
9/1, R.N. Mukherjee Road,
Calcutta — 700 001

CC/89

APPOINTMENTS

Montari Industries Limited

MONTARI INDUSTRIES LIMITED, an associate of Ranbaxy Laboratories Limited, is a fast expanding organisation having annual sales turnover of Rs. 20 crores. The company is a leading manufacturer of technical grade pesticides and markets a wide range of formulations through an All India marketing net work. The Company has ambitious growth plans. It has identified international business as a thrust area. The international division of Montari Industries Limited has successfully launched pesticides in western Europe and has commenced exports of designer home furnishings and leather garments. The organisation is representing leading European chemical companies in India for marketing of a wide range of commodity chemicals. The company has following vacancies :

MANAGER EXPORTS — (Delhi)

The incumbent is to head merchant export business of the company. The position requires achievement of budgeted sales, development and implementation of export marketing strategies, product pricing, market development etc. In addition, the incumbent is to assist in indentifying new product lines for increasing export business.

Experience in exporting home furnishings or leather garments with a track record of launching new products is essential. A formal degree in foreign trade with an experience of about 7-10 years, out of which minimum 2-3 years in a similar position. The position reports to General Manager (International and Business Development).

PRODUCT MANAGER (Leather Garments) — (Delhi)

The incumbent shall be responsible for export of leather garments. He is to independently handle the product line and achieve sales targets. Familiarity with design trends and exposure to leather buying and fabrication of garments would be an advantage. Professional qualifiation in marketing with 5-7 years relevant experience required.

PRODUCTION COORDINATOR (Leather Garments) — (Delhi)

The incumbent is required to undertake leather buying from major centres in India as well as coordinate with the production units for achievement of production targets and quality standards to meet export commitments. Professional qualifications in Leather Technology with 3-5 years relevant experience in a reputed organisation is essential.

COMMERCIAL EXECUTIVE — (Delhi)

The incumbent with indepth knowledge of export/import procedures, documentation and trade terms, is required. He should know procedures relating to advance licensing and claiming of incentives. Basic knowledge of exchange control regulations desirable. Incumbent should be a graduate with 3-5 years experience in Export & Import.

SALES EXECUTIVE (Industrial Chemicals) — (Bombay)

The incumbent is required to market in the Western Region a range of bulk commodity chemicals, which this organisation markets on behalf of Atochem a leading European Chemicals Company.

The incumbent should be graduate in Chemistry with about 5-7 years experience in marketing of industrial chemicals. Knowledge of import procedures and trade terms is essential.

Attractive compensation package will be offered to the right profile.
Candidates interested may please apply within 10 days giving details of their experience, salary drawn and expected on the following address :—

The General Manager — Personnel
Montari Industries Ltd.
78, Nehru Place NEW DELHI-110 019

366 CH

APPOINTMENTS

Hindustan Motors Limited

ORGANISATION RENEWAL

Automobile Division (Uttarpara)

We have begun a process of modernisation and upgradation of technology, with a focus on **Product Development** and **Quality Improvement** at our Automobile Plant at Uttarpara (15 Kms. from Calcutta).

In order to accelerate this process, we are looking for people with **Proven Track Record,** to join our team in the following areas :

QUALITY ASSURANCE

Relating to :

Forge
Foundry
Machine Shops
Sheet Metal
Assembly
Metallurgy
Incoming Inspection
Quality Audit

PRODUCT ENGINEERING

Relating to :

Engine
Transmission
Chassis
Body Styling
Body (including Plastics)
Prototype Building
Testing

Candidates should be qualified Engineers with 7 to 10 years' experience in the relevant area, in reputed Engineering Organisations. Auto Industry experience will be preferred. Relevant Post-graduate qualifications, such as M. Tech in Foundry technology, Industrial Design, I.C. Engines, Metallurgy, Automobile Engineering, etc. from Premier institutions, will have an added weightage. For Product Engineering, experience of design & development with CAD/CAM systems will be a distinct advantage.

The salary and perquisite package is designed to attract the **best and the brightest.** Placement level in the organisation will be based on qualification and experience.

Please apply at the earliest, enclosing complete bio-data and indicating the functional area to :

General Manager (HRD)
Hindustan Motors Limited
Birla Building
9/1, R.N. Mukherjee Road,
Calcutta : 700 001

CC/89

If you've got the fire to get to the top, may we offer the fuel?

The fire is you.
The fuel is NIIT—one of the fastest growing Information Technology companies in India. And with activities that range from Information Systems Consultancy and Software Development and Marketing, to Corporate Training and Computer Education.

With a 90% annual growth last year, NIIT has the power to take you places. So, if you've got the fire, come to where it'll burn brighter.

Divisional Managers

Consultancy. Training. Software. Education.

MBAs with 5—7 years' experience in computers or related high-technology areas. Proven decision-making skills and managerial abilities essential. Experience in interacting with the top management of large companies will be an added asset.

Responsibilities will include independent charge of assigned product lines, achieving growth targets and developing product groups.

Regional Sales Managers

Consultancy. Training. Software. Education.

MBAs with 3—4 years' experience, or graduates with 5—7 years' experience. A proven record in sales and managing sales professionals is essential. Candidates must have excellent communication and persuasion skills combined with dash and dynamism.

Responsibilities will include sales and marketing in specific product areas, new business development and managing major clients.

Territory Managers

Graduates with 4—6 years' experience in marketing or accounting or contract monitoring or dealer management.

Responsibilities will include independent charge of assigned territories, including the supervision and monitoring of all commercial and marketing functions of NIIT's franchise operations.

Business Consultant

A B.Tech and/or an MBA with 4—7 years' experience in software development or MIS, and the marketing of information technology services. Strong communication skills and the drive to achieve challenging targets are essential.

Responsibilities will include identifying new business opportunities and achieving targets for information technology consultancy.

Promising candidates with lesser experience will also be considered for suitable positions, in any of the above areas.

Remuneration matches the best in the industry and will not be a constraint.

All the above positions exist at NIIT's Calcutta office.

Please rush your bio-data to :

The Executive Director
NIIT
Azimganj House
7 Camac Street
Calcutta 700017.

NIIT

NIIT 208'89

APPOINTMENTS

INGERSOLL-RAND

A Multiproduct Engineering Organisation

wants to appoint a

RESIDENT SALES PROFESSIONAL

AT DIBRUGARH, ASSAM

The incumbent will co-ordinate Sales and Service activities in respect of Air and Gas Compressors and Spare parts in North East India.

The candidate should be a Chemical/ Mechanical Engineering Graduate having 8-10 years' experience in selling capital equipment.

Knowledge of Assamese is very essential.

The position is in the Executive cadre and the Company offers a liberal compensation package which includes House Rent Allowance, Conveyance, Leave Travel Assistance, Medical and Retirement benefits.

Applications giving details of age, experience, salary drawn and expected should be sent within 10 days to:

The General Manager
Human Resources
Ingersoll-Rand (India) Limited
Maybaker House
S. K. Ahire Marg
Worli
Bombay 400 025

A leading organisation in the Office Automation Industry requires high calibre sales personnel to fill up the vacancy of Branch Sales Manager and Sales Executive in their Office at Gauhati. These are highly demanding jobs and only professionals with good track records in selling capital equipment in a competitive environment are likely to succeed.

BRANCH SALES MANAGER

Should be a Science Graduate, preferably with post graduation in Marketing and have minimum 7 years' experience out of which at least 2 years should be in a Managerial capacity.

Age: around 30 years

He will be responsible for all activities in the Branch, like sales, after sales service, administration, outstandings control, etc. He will lead a team of sales and service personnel and supervise the dealer network to achieve the Company's objectives.

SALES EXECUTIVE

Should preferably be a Science Graduate with at least 2 years' experience and the ability to communicate effectively both orally and in writing, in English and the local language.

Depending on the depth of experience and calibre, salary can be negotiated and it will not be a limiting factor for the right candidates. The company has an excellent sales linked incentive scheme apart from benefits like Bonus, PF, LTA, etc. People who are used to earning well and wanting to build their career in a progressive organisation, may send in their application superscribing the envelope with position applied for, within 7 days to:

Box 722
BusinessWorld
6 Prafulla Sarkar Street
Calcutta 700 001

India's largest computing project needs the finest Engineers/Scientists. Are you one of them?

C-DAC, entrusted with India's flag-ship parallel computing project, has embarked on its timebound mission to develop and bring to production a high-speed parallel computer.

Launched in August 1988, C-DAC is currently operating from two centres: PUNE for hardware and applications development and BANGALORE for systems software and advanced computing research. C-DAC has already attracted a sizable talent pool drawn from across the country.

C-DAC is funded by the Indian Government and enjoys substantial flexibility in operation, commensurate with its complex and timebound mission. C-DAC values professional excellence and individual initiative.

C-DAC invites Scientists and Engineers with outstanding academic/R&D records to join its team to help accomplish its mission.

Member Technical Staff (MTS)

1. **Systems Software**
(Positions: 20 at Bangalore)
Vacancies exist for experienced and entry level engineers. Experience is sought in operating system internals (Unix, IRMX), Unix porting, compilers, tools, simulators, performance monitors, communication software, software quality assurance and CASE environments

2. **Hardware** (Pune: 8, Bangalore: 4)
Positions exist at entry level and for experienced engineers. Experience is sought in VLSI design, digital circuit design, 680x0 and i 80x86 architectures, VME/ Multibus II standards, device/ communication controllers and ECC memory design. Engineers with experience related to PCB, packaging and power supplies are also required

3. **Applications Software** (Pune: 8)
Scientists/Engineers with background in Graphics & Animation, Image Processing, Oil Reservoir Modelling, Seismic Data Processing, Computations Fluid Dynamics, Finite Element Modelling, Signal Processing, Molecular Modelling, Data Bases, Artificial Intelligence. Experience in computer-assisted modelling & simulation, computational mathematics and programming is required

4. **Advanced Computing Research**
(Bangalore: 10, Pune: 2)
Engineers/Scientists with outstanding academic record and with aptitude for research needed to explore leading edge issues in parallel computing including architecture, operating systems, compilers and algorithms

5. **Industrial/Design** (Pune: 1)
Mechanical/Electronics Engineers with about 5 years' experience in packaging of electronic systems, cooling/thermal design and use of advanced CAD tools

6. **Quality Assurance** (Pune: 1)
Electronics Engineer with 5 years' experience in quality assurance of computer hardware and familiarity with relevant international standards.

Member Administrative Staff (MAS)

1. **Documentation Executives**
(Bangalore: 1, Pune: 1)
Applicants should be familiar with modern documentation tools (Scribe, Tex, Troff, etc.)

2. **Contracts Executives**
(Bangalore: 1, Pune: 1)
Applicants should have prior experience in R&D projects contracting and contract management.

3. **Administration Executives**
(Bangalore: 1, Pune: 1)
Applicants should have at least 5 years' experience in general administration functions in an R&D laboratory/high-tech industry

4. **Finance Executives**
(Bangalore: 1, Pune: 2)
Applicants should be Chartered Accountants and possess at least 5/10 years' experience in maintenance of accounts and book-keeping with an exposure to computerised accounting

5. **Internal Audit Executive**
Applicants should be Chartered Accountants with 3 to 5 years' experience in Auditing of large organisations.

6. **Purchase Executive** (Bangalore: 1)
Applicants should have at least 5/10 years' experience in handling purchases in an electronics or related R&D/manufacturing organization, being familiar with import procedures for electronics equipment, components, software, custom clearance works contracts, etc.

7. **Executive Secretary** (Bangalore: 1)
Applicants should have at least 12 to 15 years' experience with at least 5 years as secretary to Senior Management.

Posts are transferable anywhere in India

Reservation

Reservation of posts exists for SC/ST as per Government directives.

Pay Scale

MTS

2200-75-2800-EB-100-4000
3000-100-3500-125-4500
3700-125-4700-150-5000
4500-150-5700
5100-150-5700

MAS

1400-40-1800-EB-50-2300
1640-60-2600-EB-75-2900
2000-60-2300-EB-75-3200-100-3500
2200-75-2800-EB-100-4000
3000-100-3500-125-4500
3700-125-4700-150-5000

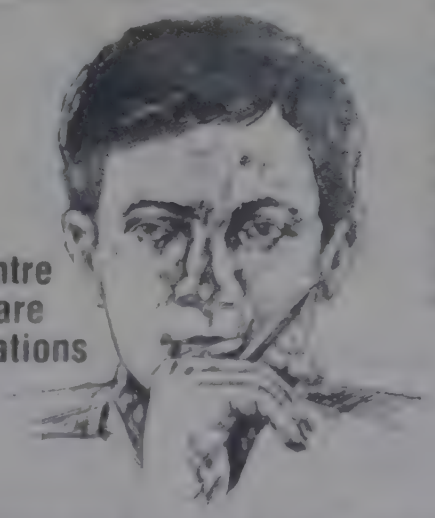
D.A. and C.C.A. will be at Central Government rates. Based on individual qualifications, experience and overall suitability, salary will be fixed in the appropriate pay scales as indicated above

Benefits

In addition to the aforementioned remuneration, the incumbent will be entitled to leased accommodation, conveyance reimbursement, medical reimbursement, LTC, CPF, gratuity and other benefits as per C-DAC rules.

Interested applicants may forward a comprehensive resume within 15 days of this advertisement to

Chief Personnel Officer
Centre for Development of Advanced Computing (C-DAC)
Pune University Campus
Ganesh Khind Road
Pune-411 007



C-DAC
Pune Centre
- **Hardware**
- **Applications**

C-DAC
Bangalore Centre
- **Systems Software**
- **Advanced Research**

Centre for Development of Advanced Computing

APPOINTMENTS

BEAM SERVICES

BEAM
ALL INDIA SELECTION DIVISION

We have been retained by a reputed Light Engineering Industry having foreign collaboration to select for their company located in Western Maharashtra:

HUMAN RESOURCE DEVELOPMENT MANAGER

Incumbent should have engineering degree with post-graduate qualifictions in management. He will be responsible for organisation development and man power planning and will be associated with the corporate plans from the Human Resource angle.

PROJECTS MANAGER-CEMENTS

Incumbent must be an engineering graduate having around 4 to 5 year's experience in independently handling execution of projects related to cement industry.

PROJECTS MANAGER—BOILERS

Incumbent must be an engineering graduate having around 4 to 5 years experience in independently handling execution of projects related to boilers.

TECHNO COMMERCIAL MANAGER

Incumbent must be an engineering graduate with 4 to 5 year's experience in the techno commercial area in an engineering industry related to manufacture of Boilers. He will be responsible for erection and commissioning of turn-key projects.

Company offers very attractive remuneration plus accommodation which is designed to attract the best professional talent.

Kindly mail detailed biodata in strict confidence within 10 days quoting post and Ref No. MP-176 on the application and envelope to: Beam Services, 1 Colaba Chambers, 117 Wodehouse Road, Colaba Bombay 400 005.

APPOINTMENTS

Life Insurance Corporation of India

Yogakshema, Jeevan Bima Marg,
Bombay 400 021.

Recruitment of Chartered Accountants for the post of

ASST. ADMINISTRATIVE OFFICERS (CLASS I)

Exclusively for scheduled castes/tribes

No. of vacancies: 28 (SC: 19,ST: 9)

Age: Not less than 21 years and not more than 35 years as on 1.4.1989.

Scale of Pay: Rs. 1175-75-1400-85-2675, plus admissible allowances. Gross emoluments at the minimum of the scale will be between Rs. 2808/- and Rs. 2926/- depending upon the place of posting.

Application accompanied with bio-data and attested copies of: (i) School leaving certificate showing date of birth (ii) Caste certificate (iii) C.A. Final passing certificate, should be sent to the Executive Director (P) Life Insurance Corporation of India, Yogakshema, Central Office, Jeevan Bima Marg, Bombay 400 021.

Superscribe the words "Application for the post of AAO (CA) SC/ST" on the left hand top corner of the envelope.

Last date of receipt of application: 15th May 1989

INGERSOLL-RAND

A Multiproduct Engineering Organisation needs

SENIOR SALES PROFESSIONALS

for its Small Compressor Division to be based at New Delhi and Calcutta

The job involves achieving sales targets by leading a team of Sales Engineers and monitoring the activities of Distributors.

Capacity to independently handle techno-commercial negotiations and management of distributors is very essential.

Candidates should be a Graduate in Mechanical Engineering having 8-10 years' direct sales experience in a relevant field, of which 2-3 years should be in a supervisory capacity.

The position is in the Executive cadre and the Company offers a liberal compensation package which includes House Rent Allowance, Conveyance, Leave Travel Assistance, Medical and Retirement benefits.

Applications giving details of age, experience, salary drawn and expected should be sent within 10 days to:

The General Manager
Human Resources

Ingersoll-Rand (India) Limited
Maybaker House
S. K. Ahire Marg
Worli Bombay 400 025

APPOINTMENTS

iwfa GROUP

TOCL

INDIAN METALS & FERRO ALLOYS LTD
INDIAN CHARGE CHROME LTD

We are a large private sector professionally managed Company with Corporate Headquarters located at Bhubaneswar. Our Group which has an investment of over Rs. 300 crores has been rated as the second fastest growing industrial group among the top 50 in the country.

In order to meet our growing needs, we require thoroughbred professionals of calibre par excellence.

SHIFT INCHARGE (POWER PLANT)—Choudwar.

Overall responsibility in shifts for the operation of 108 MW Thermal Power Plant having computerised process control and stocker fired boilers.

Candidates must be Mechanical/Electrical Engineering graduates with minimum 10 years of similar experience.

MANAGER (INSTRUMENTATION)—Choudwar.

Responsibility for the operation and maintenance of fully automatic and computerised processes.

Candidates must be graduates in Engineering with Instrumentation and process control back-ground/Electronics with 6-10 years of similar experience.

MANAGER/ASSISTANT MANAGER (MECHANICAL)—Choudwar/Theruball.

Co-ordination of mechanical maintenance of Charge Chrome furnace, material handling systems, crusher, grinder, briquetting plant etc.

Candidates must be graduates in Mechanical Engineering with 5-10 years of similar experience.

MANAGER/ASSISTANT MANAGER (PRODUCTION)—Choudwar/Theruball.

Candidates with graduation in Metallurgical Engineering and minimum 5-8 years experience are required for the planning and co-ordination of the production of different Ferro Alloys.

MANAGER (STORES)—Choudwar/Theruball.

Candidates will be required to take responsibility for the overall functioning of factory stores. Knowledge of modern methods of inventory control including use of computers is essential. Around 10-15 years of relevant experience.

Must be graduates with specialisation in Materials Management function.

MEDICAL OFFICER—Theruball.

Candidates must possess a MBBS degree with minimum 2-3 years of experience. Knowledge of Oriya is essential. Job requires attending to medical and health needs of employees and their family member.

ASSISTANT MANAGER (AUTOMOBILE)—Choudwar/Theruball.

Maintenance of automobiles and heavy equipments including dumpers, pay-loaders, buldozers, road rollers and related equipments.

Candidates must possess a diploma in Mechanical/Automobile Engineering with atleast 10 years of similar experience.

ASSISTANT MANAGER (ELECTRICAL)—Choudwar/Theruball.

Maintenance of transformers, switch gears, motors, control equipments etc., planning of spare parts, preparation and implementation of preventive/shut-down maintenance schedules.

Candidates must be graduates in Electrical Engineering with minimum 5 years of relevant experience and knowledge/working experience with process computers.

BTG ENGINEER—Choudwar.

Working in shifts in the centrally computerised control room and handling the operation and control of boilers, turbine generators and its auxiliaries.

Candidates must be gradutes in Mechanical/Electrical Engineering with atleast 5 years of experience in similar capacity.

FOREMAN/ASSISTANT FOREMAN (MECHANICAL MAINTENANCE)—Choudwar/Theruball.

Candidates must have diploma in Mechanical Engineering with 3-6 years of experience in breakdown and preventive maintenance job, preferably in a Ferro Alloy plant.

FOREMAN/ASSISTANT FOREMAN (ELECTRICAL)—Choudwar/Theruball.

Candidates must have a diploma in Electrical Engineering with 3-6 years of experience in the repair and maintenance of LT/HT/EHT lines, maintenance and monitoring of domestic power supply systems, pumping systems etc.

ASSISTANT FOREMAN (BRIQUETTING PLANT)—Choudwar.

Candidates must have a diploma in Mechanical Engineering and 2-3 years of experience in a briquetting plant.

TURBINE SUPERVISOR—Choudwar.

Working in shifts operating two turbines of 54 MW capacity each connected accessories such as lube oil, cooling and condensation systems. Experience in operation of extraction condensing turbine will be preferred.

Candidates must have passed Matriculation and ITI training in concerned trade with 7-10 years of similar experience.

If you meet the requirements and are interested in a challenging career opportunity, please write to us within 15 days at the below mentioned address. The above jobs carry with it an attractive remuneration package including liberal benefits.

Those who have responded to our earlier advertisement need not apply. Copies of certificates, testimonials etc. need not be enclosed. The application and envelope must be superscribed with the position applied for.

ASSISTANT GENERAL MANAGER (HRD), **INDIAN METALS & FERRO ALLOYS LTD.,**
BHUBANESWAR—751 010 (ORISSA).

BEAM SERVICES

BEAM
INTERNATIONAL SELECTION DIVISION

UAE

We require for a dynamic and professionally managed Marketing Organisation dealing in comsumer electronics, home appliances, computer systems, telecommunication systems, cameras etc.

PERSONNEL MANAGER:

Incumbent should be around 35 years with post graduate qualifications in Personnel Management from a recognised university, having around 10-15 years' experience in the personnel function areas like manpower planning, recruitment, training and development, development of appraisal systems, salary administration as well as setting up HRD systems.

MARKETING MANAGER:

Candidates should possess post graduate qualifications in Marketing management from a recognised institute and be in the age group of 35-40 years with minimum 10 years experience in a similar capacity marketing consumer durables with an excellent track-record. This is a very senior opening with excellent growth potential.

SALES MANAGER:

Graduates preferably holding post graduate Marketing Management qualifications with around 8 years marketing selling experience of the above mentioned products.

SERVICE MANAGERS-ELECTRONICS/AIRCONDITIONING:

Should be Electronic Mechanical engineers with minimum 7 years experience as in-charge of a service centre looking after the after sales service of entertainment electronics, airconditioners, home appliances, with a team of engineers and technicians.

All posts carry a very attractive package with good growth prospects.

Mail detailed biodata with a recent photograph, giving contact tel. no. and quoting post and ref. no. VP-178 on the application and envelop to: BEAM Services, 1, Colaba Chambers, 117, Wodehouse Road, Colaba, Bombay 400 005.

APPOINTMENTS

Quest
INTERNATIONAL

QUEST INTERNATIONAL INDIA LTD. is an associate of Quest International, a leading worldwide organisation in flavours, fragrances and food ingredients. Quest India has ambitious growth plans and is looking for dynamic people for the following positions:-

REGIONAL SALES MANAGER (DELHI)

The Regional Sales Manager will be responsible for achieving sales targets for the region, managing key customer accounts and administering a network of dealers and commission agents.

Qualifications: A Science Graduate, preferably with an MBA from a reputed institution. He should be around 30 years of age with 6-8 years of industrial selling experience.

FLAVOUR DEVELOPMENT/ APPLICATIONS MANAGER

The Flavour Development and Applications Manager will be responsible for the development of savoury flavours and will provide technical sales support to the Sales and Marketing team. The job is currently based at Bombay, but may be relocated at Bangalore in future.

Qualifications: A degree in Food Technology from a reputed University/National Institute. He should be around 30 years of age with 4-5 years' experience in Research/Product Development or manufacturing functions in the processed food industry.

The chosen candidate will be trained at Quest International's Flavour Centre in Holland.

MANAGEMENT TRAINEE (MARKETING & SALES)

After successful completion of training, he will be absorbed either as a Product Manager or Sales Manager.

Qualifications: Science Graduates with an MBA from a reputed institute may apply.

The Company provides challenging career opportunities in a competitive and high growth environment. Attractive salary and perquisites will be offered. The Company does not provide housing, but House Rent Assistance will be provided.

Please write in strict confidence within 15 days to

CHIEF EXECUTIVE,
Quest International India Ltd.,
Post Box No. 19964, Nariman Point,
Bombay 400 021.

LINTAS Q P 3 218

INCREASE IN POWER GENERATION

Power generation during February 1989 rose by 9.7% as against 5.1% in February 1988. Cumulatively, in the first 11 months (April-February) of 1988-89, power generation at 200.6 billion units was 9.1% more than that of last year (7.8%). Hydel generation showed a sharp rise of 21.4% in the 11 months of this year as against a fall of 1.6% in the corresponding 11 months of last year. Thermal including nuclear generation, on the other hand, recorded a fall in their growth rate in the first 11 months from 15.7% last year to 5.3%. However, thermal generation is gradually limping back to normalcy after repairs and maintenance.

RECORD TEA OUTPUT

Tea production in 1988 reached an all time high of 700.2 million kg surpassing the previous high of 674.2 million kg recorded in 1987. Almost the entire increase has been accounted for by south India which closed 24 million kg ahead of 1987. Latest reports suggest that India's tea exports during 1988 exceeded the annual target of 220 million kg reaching 222 million kg — an increase of 13 million kg over 1987.

ELECTRONICS GOODS MANUFACTURE RISES

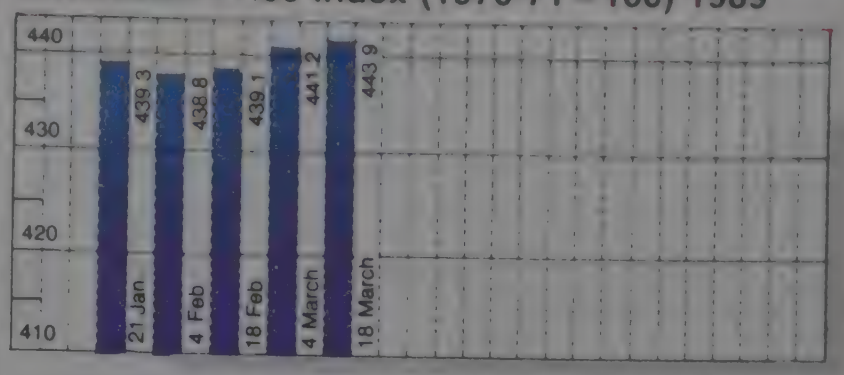
The production of electronics goods in the country recorded an increase of about 38% in 1988 over 1987. Since 1980, the production of the electronics industry has recorded an over eight-fold increase. Thus, production of electronics goods has been expanding at the rate of about 35% during the eighties.

STEEL PRODUCTION DECLINES

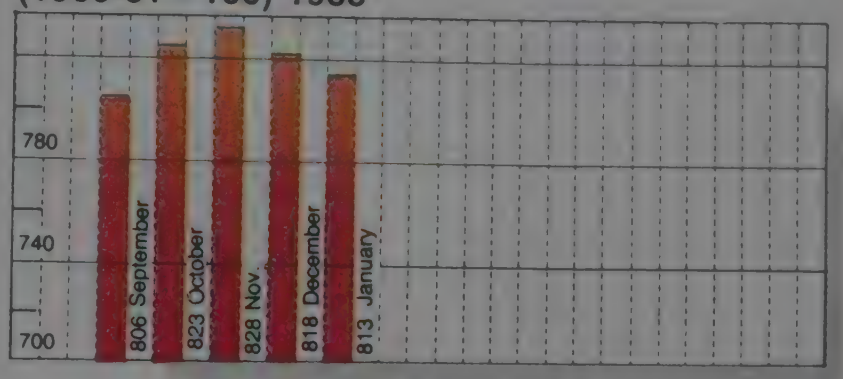
Production of steel ingots, saleable steel and pig iron recorded a decline in February 1989 over the previous month. The production declined by 11.3%, 4.4% and 13.8% respectively when compared to January 1989. While production of steel ingots and pig iron was higher when compared to the corresponding month of the previous year, production of saleable steel in February this year was discouragingly lower than February 1988. Going by the production data for the cumulative period April-February 1988-89, the performance of the steel industry has been satisfactory.

Foreign Exchange Rates (Spot) 1989	11 Apr. (Rs)
One P. Sterling	26.65
One US Dollar	15.64
One D.Mark	8.31
One hundred J.Yen	11.80
One Saudi Riyal	4.23
One Kuwaiti Dinar	54.66

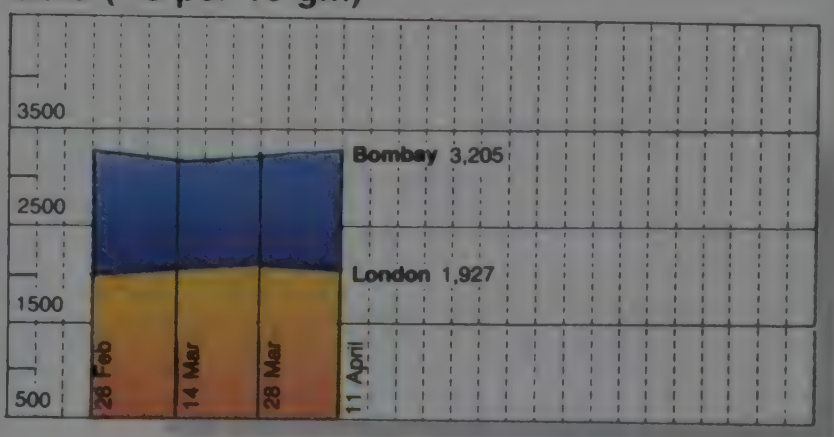
Wholesale Price Index (1970-71 = 100) 1989



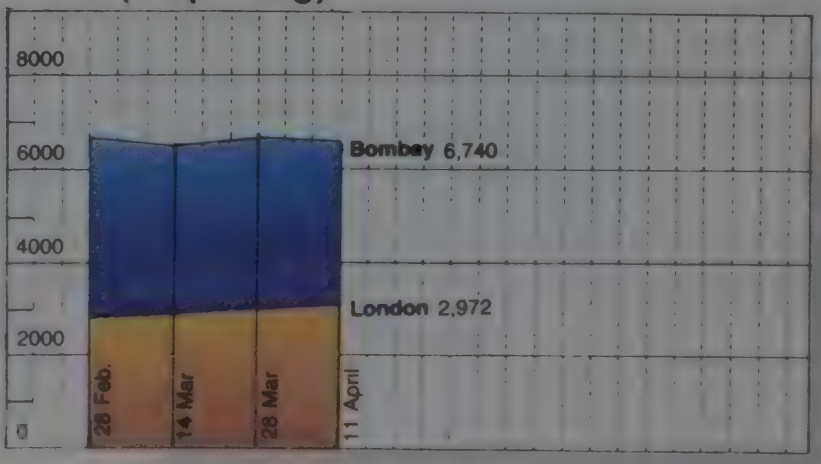
Consumer Price Index for Industrial Workers (1960-61 = 100) 1988



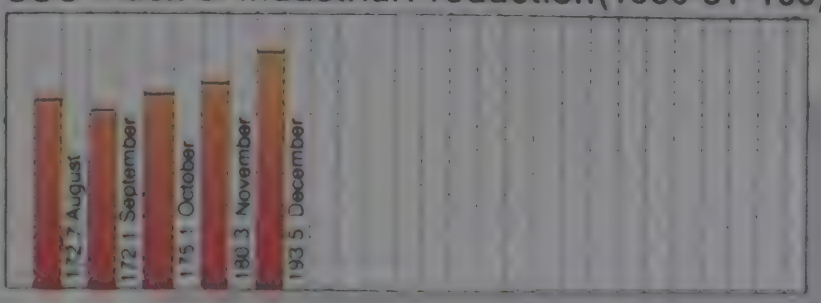
Gold (Rs per 10 gm)



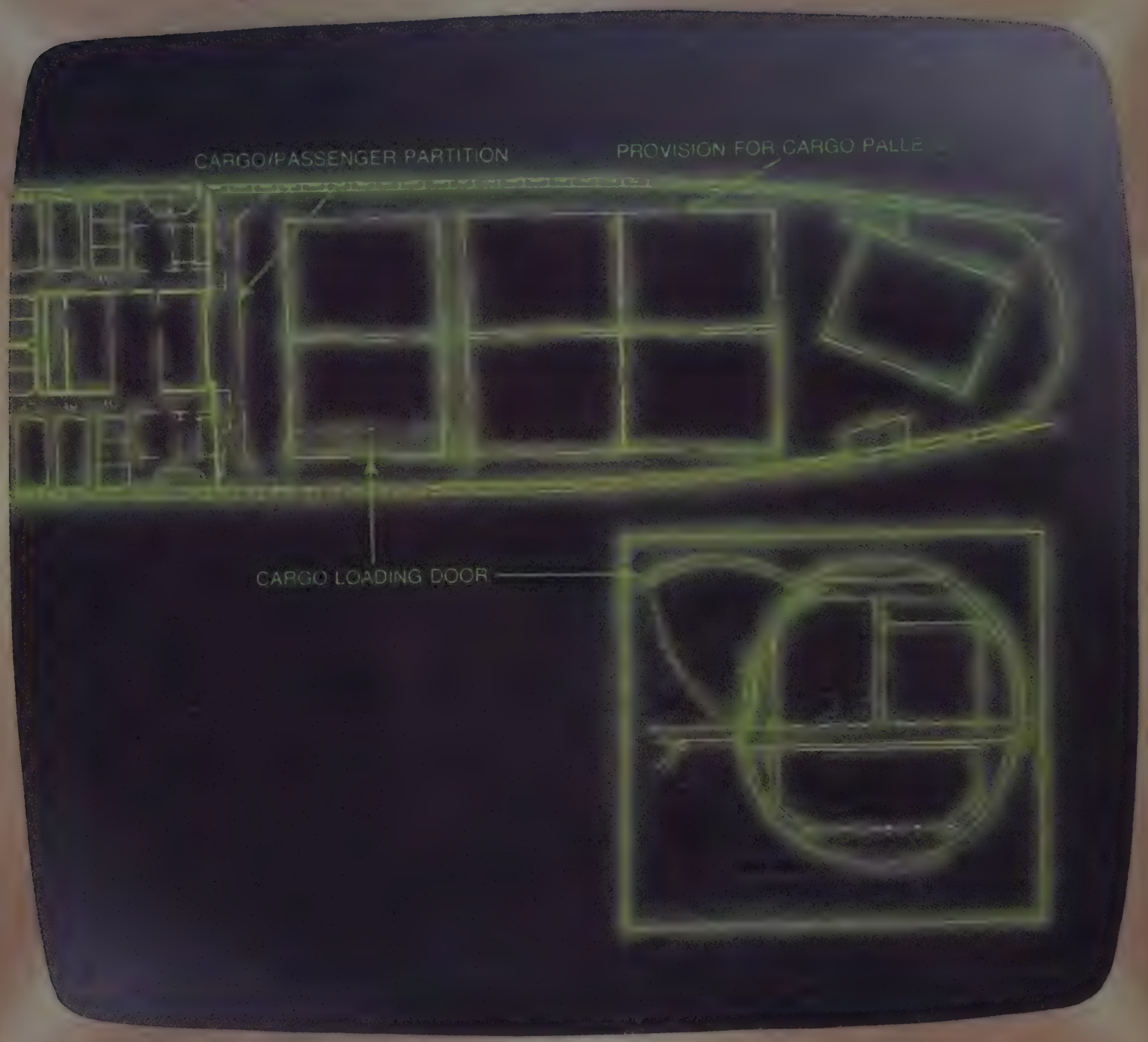
Silver (Rs per kg)



CSO Index of Industrial Production (1980-81=100)



More place. More places!



INTRODUCING THE AIR-INDIA COMBI

Presenting a perfect combination.
My new Boeing 747-300 Combi.
A passenger aircraft with a freighter-sized appetite
for cargo – a capacity of 35 tonnes or more!
Its special configuration allows it to carry 7 cargo pallets
on the main deck and 5 on the lower deck.
And a 10 foot high side door facilitates loading
of odd sized cargo.
It has a super schedule.
5 flights a week to Frankfurt.
And weekly flights to London, Paris, Geneva, Rome
and Tokyo.
To New York flies my 747 freighter.
And my IL-76 takes off for Moscow and Zurich.
This super space and schedule is supplemented
by my regular 747 passenger network.
Which carries cargo to over
40 destinations in 5 continents.
And all this is assisted
by progressive computerisation
that expedites every aspect of my cargo
operations at the touch of a button.
So whether it's into or out of India.
Ship your cargo with the expert.
Air-India.



AIR-INDIA CARGO



BIRLA SETTLES FOR HOME TURF

YOUR PLACE OR MINE?

The Taj vs. Oberoi hotel war in Calcutta seems to be reaching epic proportions. The latest evidence of this is the intense wooing of B.K. Birla in recent weeks. The reason: his grandson Kumaramangalam is getting married next month. The marriage will be solemnised in Bombay, but shortly afterwards the Birlas will be laying on a traditional wedding reception in their home town, Calcutta. Both the Oberoi Grand and the soon-to-open Taj Bengal have been vying to host what promises to be the high point in Calcutta's social calendar this summer.

But this is one marketing war in which no winner will emerge. Astutely steering clear of the clashing hoteliering titans, Birla has decided to host the reception on the lawns of the Calcutta Ice Skating Rink — which, conveniently enough, is owned and run by a family trust.

COLGATE FIGHTS BACK

Evidently rattled by Babool's inroads, multinational Colgate-Palmolive is polishing up an array of plans to protect its toothpaste market monopoly. It is currently test marketing a tartar-controlled toothpaste in the south. The price is Rs 15 for a 100 gm tube, which makes it twice as costly as other popular brands. But if the price tag seems excessive, it must be remembered that it was a similar tartar-based formula which put Proctor & Gamble's Crest back on the winning trail worldwide.

Colgate is also adding other brands to cover the entire price spectrum. On the anvil is a low-priced toothpaste (Rs 10 for a 200 gm tube) which will take Babool head on. Though the name has not yet been decided, the current betting is on 'Appeal'. Has Colgate decided that its current range lacks appeal?

FUELLING COMPETITION

The Sundaram Clayton wing of the TVS group is thinking big. One of the biggest projects on the anvil now is a Rs 80 crore venture to make fuel injection equipment. For the TVS group, this will be yet another effort to spread its wings in the automobile ancillary industry.

However, the output of the new venture is not entirely for captive consumption in TVS-Suzuki two-wheelers and mopeds. A part of the production is slated for sale to other automobile manufacturers. Here, the group will clash head on with Mico, which commands more than three-fourths of the fuel injection equipment market. Mico, which is already facing a challenge for Modi Champion in the spark plugs arena, will thus soon have another competitor to contend with.

FROM TEA TO TYRES

The most celebrated vacancy in Calcutta's corporate sector is now slated to be filled soon — well, almost. Very shortly, Brooke Bond's Calcutta-based senior vice-president in charge of exports, Shiv Srivastava, is shifting office to Dunlop House.

As deputy managing director, Srivastava will give company to Madhav Capoor (64), who also has the same designation. Given his acknowledged strengths and reputation as a marketing man, it is expected that Srivastava's initial brief will be to take charge of Dunlop's gigantic marketing setup which has been headless ever since high-flier Sumantra Banerjee left to join ICIM.

And as far as formal nomination to the top job in Dunlop goes, the least that can be said is that Srivastava has age on his side.

SMALL FRY AND BIG FISH

Much ado has already been made about L.M. Thapar's remark that big houses cannot be expected to compete with tailors and cobblers on the export front. But with the government not buying the argument, the big boys are looking for ways to step up exports.

Tata Iron & Steel Co. (Tisco) has already made a start with exports of coffee, pepper and shrimps. Last year its exports of these three items came to more than Rs 16 crores. Now shrimp, which chipped in with only Rs 30 lakhs, is set to get a boost.

Tisco is setting up a 100% export unit for freshwater shrimps which will be harvested from Orissa's Chilka lake. Tisco will have a 30% stake in the new outfit — Tata Aquatic Farms Ltd. — with Tomco and a still-to-be-finalised US partner picking up the remainder. Cobbling may be only for the small fry, shrimps are fit for the big fish.



Would you believe that Swissair too is an everyday sight in the Far East?

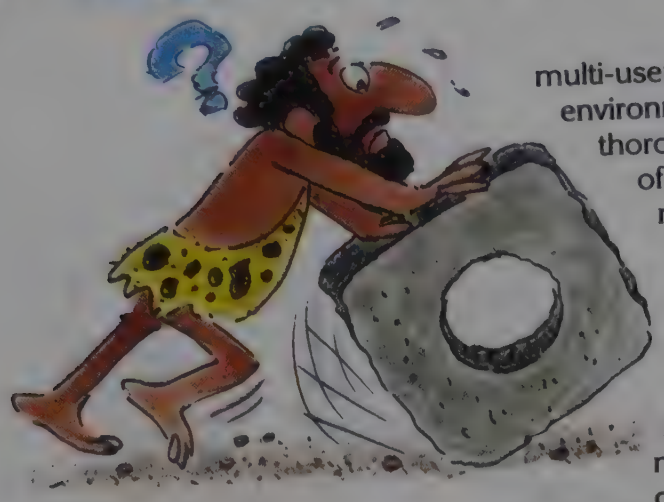
t's right. Swissair flies between Bombay and the Far East every day of the week. To Hong ng and Seoul on Mondays. Singapore and Jakarta on Tuesdays. Bangkok on Wednesdays. gkok and Manila on Thursdays. Hong Kong and Seoul on Fridays. Hong Kong on urdays. And, come Sunday, to Singapore. As always, you have the choice of flying our urious First, comfortable Business or attractively priced Economy Class. And, our owned hospitality is a familiar presence on board in all classes, every day.

swissair

th call your IATA travel agent or the nearest Swissair office
ABAD 449149 • BANGALORE 571983 • BOMBAY 2872210 • CALCUTTA 444643 • COCHIN 360380 • DELHI 3325511 • HYDERABAD 224244 • KATHMANDU 222452 • MADRAS 86[illegible]

BUSINESSWORLD 26 APRIL 1989
REGD NO. MH/BYS-141 TN/MS(C) 673 WB/CC-525

We re-invented the wheel to give Indian design engineers a total solution



After 100 man-years of R&D we at Godrej finally took the mystique out of CAD/CAM. Instead of taking the usual short cut through foreign collaboration and imported kit assemblies, we developed a totally indigenous solution. To a multitude of Indian design problems.

World Standard Hardware

Symphony is based on the powerful Motorola 680XO family. Including the latest 68030 @ 25 MHz. All implemented on the VME Bus.

Uniplus + ™ Operating System

This system, an enhanced version of AT&T Unix™ V.3.1, provides a multi-user, multi-tasking environment. Moreover, it is a thoroughly tested implementation of Unix and runs on over 100 manufacturers' computer systems.

High Performance Graphics

Symphony offers a wide range of high resolution monochrome (1024 × 768)/ colour (1280 × 1024) monitors.

Wide range of Development & Application Software

Symphony offers a gamut of packages for fields such as Mechanical, Civil/Structural, Electrical and Chemical Engineering as well as Injection Moulding.

For example:

Draftsman's Delight — A general purpose, menu-driven 2D drafting package with a link to a data base.

Graphics Designer's Language — GDL — A parametric language which allows you to programme a standard parts library.

Godrej Solid Modeller — To create, manipulate and visualise 3D geometrical shapes interactively, with a separate data structure.

G-SAFE — A stress analysis package using finite elements with graphic pre and post processors.

CAM Package — To generate CNC instructions. It converts part-drawings into programs for NC machines.

Graphical Kernel System (GKS) — The GKS is implemented in strict accordance with ANSI/ISO standards and supports the latest 'C' binding.

Plus the Unify Data Base Management System, PC Link and Tektronix terminal emulation, as well as a host of versatile application packages.

Supports Networking

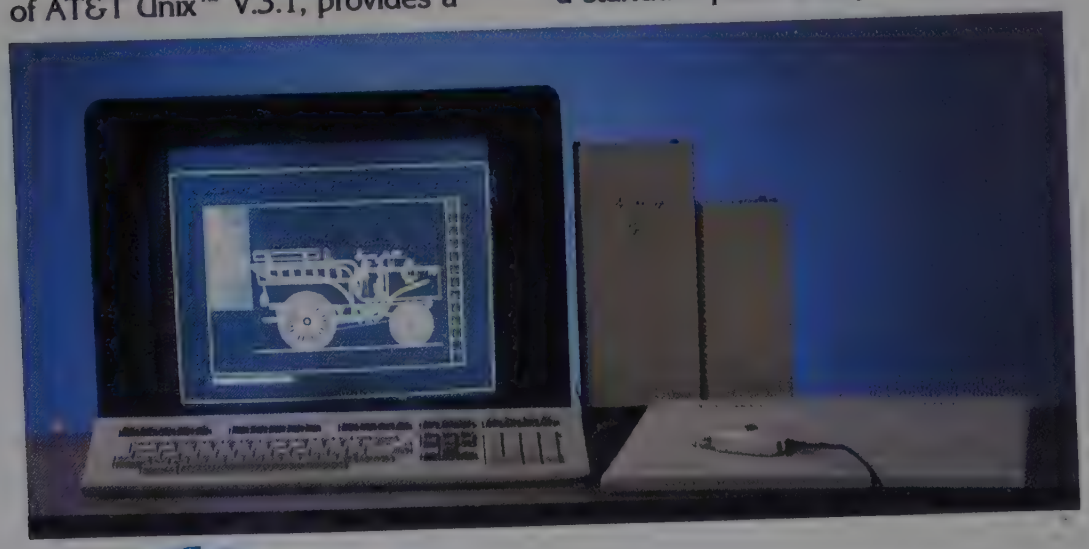
Using the Ethernet technology, Symphony ensures a high data transfer rate and the industry standard TCP/IP, Networking File System (NFS)™ protocols.

Diskless Workstations

The latest approach to the need for distributed information processing, while sharing a single database.

All Godrej Symphony configurations are available in a diskless version over Ethernet ™ and NFS.

NFS is the trademark of Sun Micro Systems
UNIX is the trademark of AT&T Bell Laboratories
Ethernet is the trademark of Xerox Corp.
UniPlus + is the trademark of Unisoft Corp.



For more information, contact:
Godrej & Boyce Mfg. Co. Ltd.
Marketing Department (Computers)
Plant 16, Pirojshanagar, Vikhroli,
Bombay 400 079

Godrej®

Symphony CAD/CAM Made for India

ULKA-11759

E MAGAZINE FOR INDIAN BUSINESS

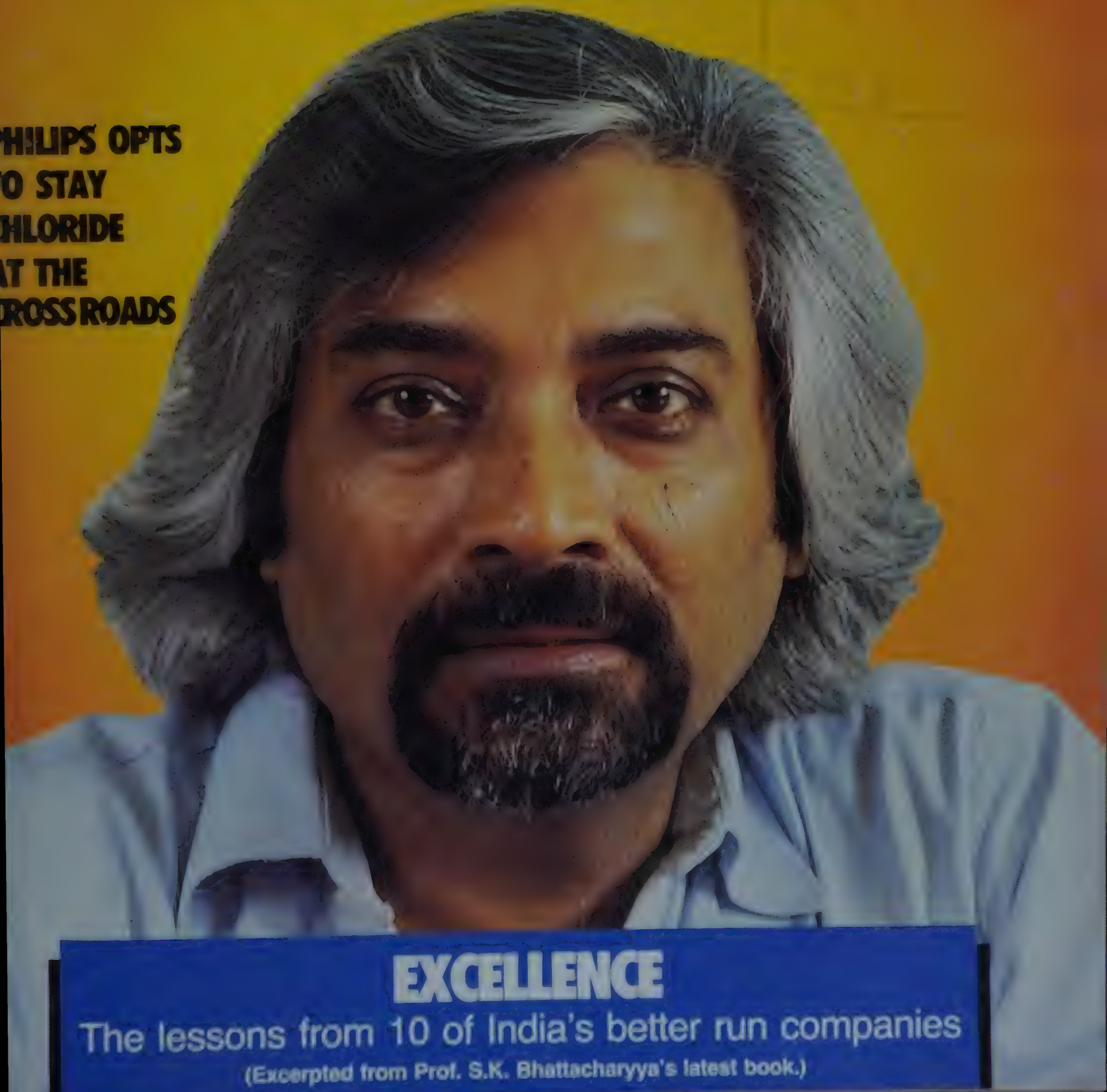
MAY 10-23, 1989 AN ANANDA BAZAR PUBLICATION RS 8

BusinessWorld

SAM PITRODA'S

CZAR TREK

HILIPS OPTS
O STAY
HLORIDE
T THE
ROSS ROADS



EXCELLENCE

The lessons from 10 of India's better run companies

(Excerpted from Prof. S.K. Bhattacharyya's latest book.)

The more important the meeting, the more important the airline.



Lufthansa

LH 3685-2 DEL

VOLUME 9 ■ ISSUE 3
MAY 10-23, 1989 RS 5

BusinessWorld

the magazine for Indian business

Editor
R Jagannathan
Assistant Editor
Parthasarathi Swami
Delhi
Alam Srinivas
George Skaria
Bombay
Maya Rai Choudhuri
Debashis Basu
Calcutta
Sujoy Gupta
Bangalore
N Raghavan
Hyderabad
P L Diwakar Rao
Chief Sub-editor
Mukul Pandya
Sub-editors
K Madhavadas
Anil Wanvari
Roy Pinto
Niranjan Rajadhyaksha
Art Director
Amiya Bhattacharya
Layout
Hajoo Aslam E
Kiran Parker
Marshall Mascarenhas

■ **Editorial Office**
145 Atlanta, 209 Ceremonial Boulevard
Nariman Point, Bombay 400021
Phone 221178, 233193
Circulation/Subscription enquiries
Bombay: Ph. 260268
■ **Head Office & Regd. Office**
Ananda Bazar Patrika Limited
6, Prafulla Sarkar Street, Calcutta 700001
Phone 278000, 274880
Regional Offices
Bombay
145 Atlanta
209 Ceremonial Boulevard
Nariman Point, Bombay 400021
Phone 240581, 240426
Delhi
1/7 IENS Bldg
Rafi Marg
New Delhi 110001
Phone 385401 Ext 37 (Editorial)
383058 (Editorial)
389078 (Advtg)
Madras
Dents Garden, 18 Pattulos Road
Madras 600002
Phone 869379, 868227
Bangalore
14, Madras Bank Road
4th Floor
Bangalore 560001
Phone 568227, 568228
London
Wheatsheaf House, Carmelite Street
Fleet Street, London EC4
Phone 01-353-1821
Inland Subscription Rates
One Year Rs 110
Two years Rs 210
Three Years Rs 310

BusinessWorld does not accept responsibility for returning unsolicited manuscripts and photographs. All unsolicited material should be accompanied by self-addressed envelopes and sufficient postage.

Published from 145 Atlanta, 209 Ceremonial Boulevard, Nariman Point, Bombay—400021 and printed at 6 & 9, Prafulla Sarkar Street, Calcutta—700001 for Ananda Bazar Patrika Limited by Ranen Chakraborty

BUSINESS QUOTES



■ **If you make a million *dhotis* you can't sell them abroad.**

Union commerce minister Dinesh Singh on the problems of exports, quoted in *India Today*.

■ **The public sector was born with a silver spoon in mouth.**

Planning Commission member Abid Hussain, quoted in *Financial Express*.

■ **Gone are the days when strikes used to peter off after a couple of weeks. We have enough strength to stay on.**

All India Port and Dock Workers' Federation president S.R. Kulkarni, quoted in *The Economic Times*.

■ **We are no longer in a situation where an East India Co. can come over and take over the nation. (Therefore) we should not be afraid of foreign equity participation.**

Ficci president Raunaq Singh, quoted in *Business Standard*.

■ **(The new American Trade Act) represents the goal of the (US) Congress to create a level playing field whereby free trade can survive and thrive.**

US ambassador John Hubbard on the new law that will erect barriers for goods from countries that allegedly discriminate against US goods, quoted in *The Times of India*.

■ **Most of the people we look at as potential candidates for the stockmarket are 'apprehensives' who are scared of the market. They see Hindi movies where someone's father had a lot of money and lost it all in the share market.**

SBI Capital Markets managing director D. Basu, quoted in *Sunday*.

■ **It is time the grandson realised that had his grandfather been around, there would be all-round efficiency along with liberalisation...**

Tisco chairman Russi Mody speaking at a national seminar on Nehru's vision of industrial India, quoted in *Financial Express*.

■ **(US treasury secretary Nicholas) Brady pushed the bankers and the debtors off the cliff, hoping someone will put some water in the canyon below before they hit bottom.**

International bank consultant Richard Medley on the Brady proposal to solve the Latin American debt problem, quoted in *Fortune International*.

■ **Loans have to be economically reasonable, otherwise they won't be politically reasonable.**

Deutsche Bank negotiator for East Europe, Axel Lebahn, quoted in *International Businessweek*.

BusinessWorld

IN THIS ISSUE

BUSINESS FEATURE

SAM PITRODA'S CZAR TREK

He is the man who gave concrete shape to Rajiv Gandhi's 21st century plans — at least in the telecom field. But Sam Pitroda, the man the bureaucracy loves to hate, has given his enemies a stick to beat him with following the slippages in his telecom plan. Can he still make it to telecom czarhood? Pitroda himself is quite certain he will.

■ PAGE 58

COMPANY NEWS & EVENTS

TATA TEA'S ACQUISITIVE URGE

Darbari Seth's Tata Tea has just put in an ad seeking to buy sick tea gardens. He may not get too many offers, but the future of Tata Tea is secure even without any additions to its tea acreage.

■ PAGE 72

Other Company News items from page 67.

ECONOMY & BUSINESS

PETROCHEM: HEADHUNTING TIME

The real bottleneck in the country's petrochemicals expansion drive may not be cash or demand, but people: trained, technical and managerial manpower. That's why there is a great scramble for existing petrochem professionals.

■ PAGE 23

Other Economy & Business items from page 25



PITRODA MAY HAVE AS MANY PEOPLE AGAINST HIM NOW

IN THE NEWS

A PUNDIT'S OVERVIEW

Last month, international consultant Craig Hickman descended on Calcutta. He had words of praise for Indian business and its managers.

■ PAGE 30

HICKMAN HAS A PAT FOR INDIANS



DR REDDY'S GROWTH PLANS

K. Anji Reddy, chairman of the Dr Reddy's group of companies, has made his mark in the bulk drugs market. Rather than resting on his laurels, he has drawn out major expansion plans.

■ PAGE 30

YELLOW PERIL

The UDI yellow pages make I.K. Chhugani see red. The Sellaids proprietor is planning his own version of a classified telephone directory. And the battle



CHHUGANI SEES RED OVER YELLOW PAGES

of the yellow pages promises to get dirty.

■ PAGE 31

BRANDED WATER FOR SALE

A Madras-based company has started selling water in satchets to the city's thirsty populace. The sales target has been ambitiously set at 25,000 per day.

■ PAGE 31

A FRAGRANT SUCCESS

N.V. Surekha, who heads the R&D division of the Bangalore-based Padmini Products, knows the sweet smell of success. She now plans to add fragrance to the soaps and detergents industry.

■ PAGE 32

CHEERY TIMES FOR HMT

The watchful days at HMT are over. After seeing HMT through a good year CMD M.R. Naidu is now charting out a renewed thrust into its original product line: machine tools.

■ PAGE 32

PAPER TIGERS TALK ECOLOGY

Ashok Goel, president of the Indian Agro Paper Mills Association, is canvassing for protection against rising input costs. And he is using the green argument to bolster his case.

■ PAGE 33

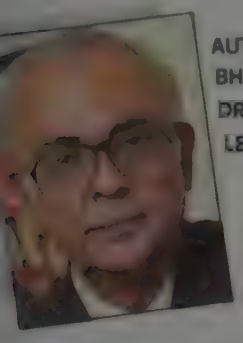


SINGHAL'S LEASE DEAL MADE A SPLASH

BOOKS

EXCELLENCE

In this concluding excerpt from S.K. Bhattacharyya's book, *Achieving Managerial Excellence*, *BusinessWorld* publishes the lessons the author



AUTHOR S.K. BHATTACHARYYA DRAWS HIS LESSONS

draws from studying 10 of India's better-run companies.

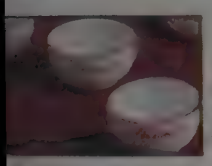
■ PAGE 40

GUEST COLUMN

EMPLOYMENT & PRODUCTIVITY

If productivity improves, fewer workers will be needed. So are the two goals mutually exclusive in India? No, says A.S. Ganguly, chairman of Hindustan Lever.

■ PAGE 15



JALAN'S PROPOSED TABLEWARE

SPOTLIGHT

DREAMS IN CERAMIC

What? One more ceramics hopeful? Yes, but H.S. Jalan of Indodan Industries believes that he will zap the competition by targeting his new tiles, sanitaryware and tableware project at the juiciest end of the market: the premium segment. "I am selling desires, not needs," says he.

■ PAGE 74

SPECIAL REPORTS

A GREAT DEAL

The managing director of the Shipping Credit & Investment Co. of India, N.C. Singhal, set the dovecotes aflutter by signing a purchase and leaseback deal with Great Eastern Shipping. The deal benefits both parties, but weaker shipping companies like Scindia are peeved that they have not been favoured with similar deals.

■ PAGE 46

GACL: WORTH ITS SALT

Gujarat Alkalies & Chemicals Ltd. is another success story from Gujarat. But what's unique about the company is the way it is adding value to every product and byproduct it generates from a humble base material: common salt.

■ PAGE 49

CHLORIDE AT THE CROSSROADS

With the exit of Chloride plc's chief executive Kent Price, uncertainty envelops the future of its profitable Indian subsidiary Chloride India.



S.K. BIRLA'S STRATEGIC ALLIANCE MAY STILL WORK

But S.K. Birla, with whom Chloride has a strategic alliance, is certain that things will work out soon.

■ PAGE 55

PHILIPS OPTS TO STAY PUT

After a flurry of reports to the effect that Philips NV of Holland will cut involvement in its Indian affiliate, Peico Electronics, the latter's managing director, Jan Bergvelt, has put speculation to rest. Philips won't pull out if the Indian outfit can turn itself around. And that's what Bergvelt has promised by 1990.

■ PAGE 51



BERGVELT PROMISES A TURNAROUND

OTHER PAGES

BUSINESSPEOPLE ■ PAGE 4

EDITORIAL ■ PAGE 5

LETTERS TO THE EDITOR ■ PAGE 8

GOVERNMENT WATCH ■ PAGE 9

AD & MARKETING WORLD ■ PAGE 11

MARKETING ■ PAGE 13

POLITICAL COMMENT ■ PAGE 19

ECONOMIC COMMENT ■ PAGE 21

TAXATION ■ PAGE 28

TECHNOLOGY PLUS ■ PAGE 36

BANKING & FINANCE ■ PAGE 65

INTERNATIONAL NEWS ■ PAGE 77

STOCKMARKETS ■ PAGE 84

MONEY & INVESTMENT ■ PAGE 86

PEOPLE & PLACEMENTS ■ PAGE 93

NEW PROJECTS ■ PAGE 96

APPOINTMENTS ■ PAGE 97

ECONOMIC REVIEW ■ PAGE 117

OFFSTAGE ■ PAGE 120



DHOOT IS PLAYING CAT-AND-MOUSE

The Videocon group is in an upbeat mood these days. Flagship company Videocon International is going great guns — turnover in 1989-90 is expected to touch Rs 275 crores, more than double the Rs 107 crores in the previous year. Plus, other companies like Videocon-Toshiba and a tieup with Philips of Holland are all set to take off.

Understandably, the man who has steered the group to such success, Venugopal Dhoot, is in a feisty mood. Among the many things on his plate right now is a collaboration with Matsushita of Japan to make refrigerators.

And Dhoot is playing a waiting game. "Right now, they are asking for a huge amount for knowhow," he says. "I am sure that if I wait for some time I can beat down the price."

Would that be a VideoCon job?

The chairman of the Shipping Credit & Investment Company of India (SCICI), N. Vaghul, is going on a fishing expedition. One of his pet projects, and that of chief executive N.C. Singhal, is a large fishing company sponsored by the SCICI.

The project, which will need an investment of Rs 50-70 crores, envisages a mother ship and 15 to 20 fishing trawlers. It will undertake the entire operations from catching to canning. "We want it to serve as a model for others to follow," says Vaghul.



VAGHUL IS EYEING FISH

Although the scheme is still in the planning stage, Vaghul is sure about one thing. "It will not be a public sector company," he says. "It will belong to the professional sector."

What he means by that is that the new outfit will have professional management. Is that a reflection on public sector management or Vaghul's assumption that fishing is a different kettle of fish?

Who's new in the who's who? Topnotch human resources development (HRD) professional Samir Kumar Das, that's who. In recognition of his "outstanding contribution and demonstrated accomplishment" in his field of specialisation, the low-profile Das — a past president of the National Institute of Personnel Management who is between jobs just now — has merited an entry in the latest edition of *Who's Who in the World*.

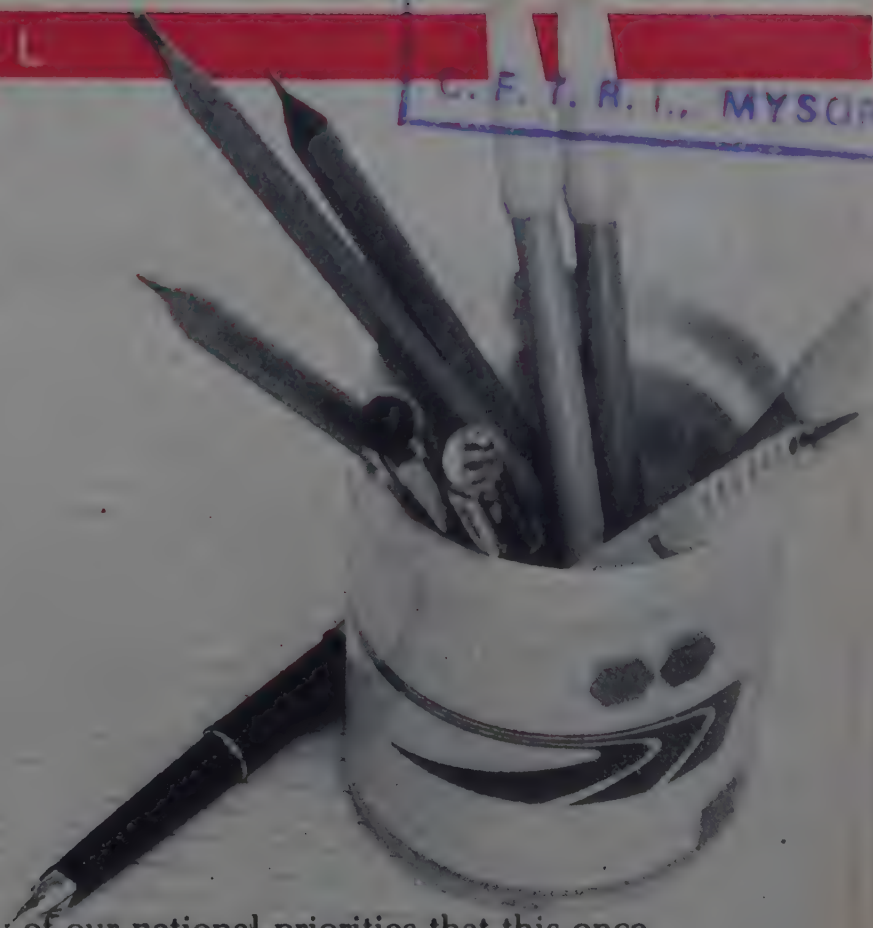
"I am frankly astounded," he says, not quite believing things until he actually saw it in black and white. "I do not know how I was nominated but the biographical data convinces me that the CID were at work." And how does it feel to be one of the chosen, as it were? "It's a great feeling but, quite humbly, one feels an added responsibility to excel in the profession," says Das.

DAS WHO?



Contemporary corporate strategists agree that it is the human assets factor which really holds the key to a competitive edge in the marketplace. The good news, according to Das, is that HRD is fast gaining in maturity in India. And that's an internationally recognised pundit's viewpoint

C. F. T. R. I., MYSORE



A NEGLECTED PRIORITY

It is a sad commentary on the quality of our national priorities that this once verdant subcontinent is on the way to becoming a vast wasteland, notwithstanding high-falutin declarations of official policy.

This stark fact has been brought to the fore once again in a study conducted some time ago by the Centre for Science and Environment, New Delhi. It says that while official records show that forests cover over 70 million hectares of India's total land area of 304 million hectares, the actual forest cover is now estimated at less than 40 million hectares. Alarmingly, the study reveals that the country is losing about 150,000 hectares of forests a year to so-called development projects. When illegal felling and other types of forest clearing are included, the annual loss rises to a million hectares.

In a timber-hungry nation, there seems to be something decidedly wicked in denuding a resource that takes decades to grow. For forests are, paradoxically, at once the most durable and the most fragile of our national resources. While they are durable enough to endure for centuries, given the right care, they are at the same time fragile enough to perish forever through a single act of folly.

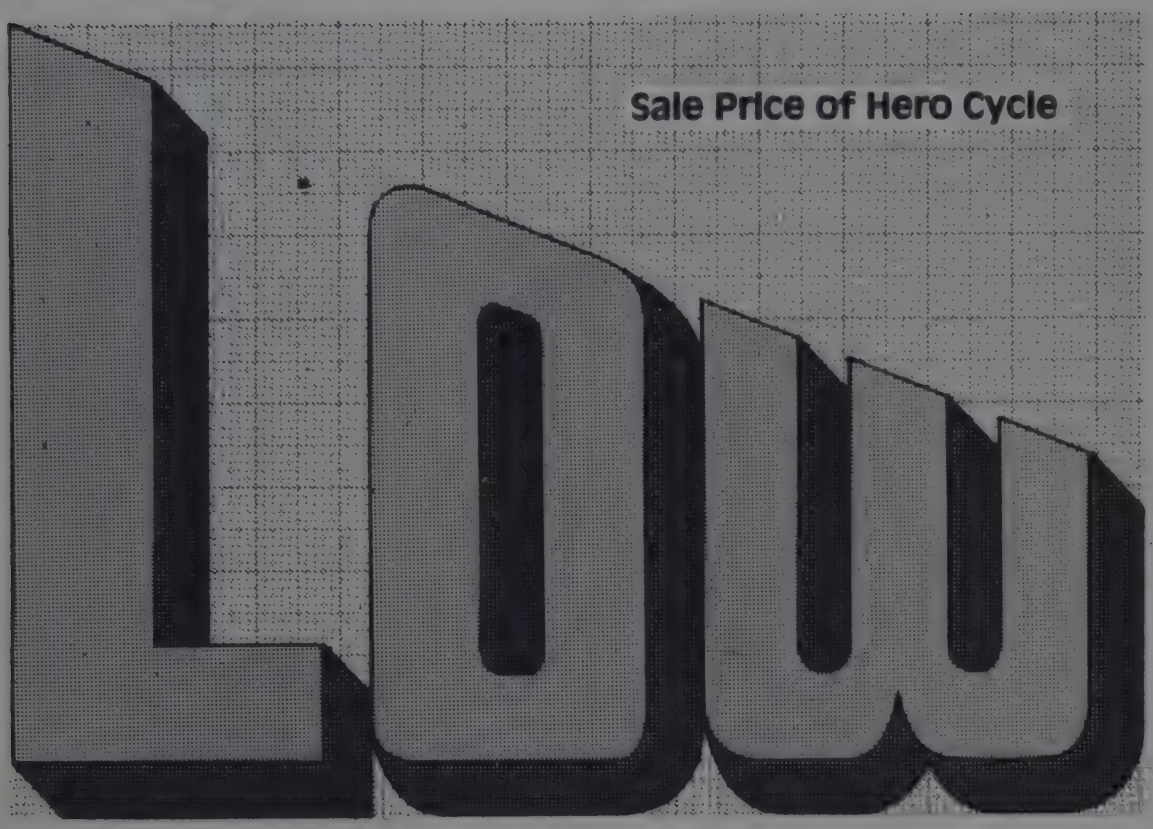
And among the various acts of folly which threaten the continued existence of our forests — which include fire, timber-felling and the conversion of woodland into farmland — the one that poses the greatest danger is the indifference of the people who control these same forests. Although in tune with contemporary trends the world over (India too makes a show of its ambitious laws and plans), there is little evidence of a real concern.

Historically, the forestry sector has received one of the lowest priorities in the allocation of funds under the successive five-year plans. As a result, hardly 1% of plan resources have been ploughed into forestry development projects. Again, the structure of the forest administration, which is over 125 years old, has changed little since the last century. As never before, the forest manager needs to be not just a husbandman for the trees but a geologist, meteorologist, biologist, engineer and businessman as well.

Who is best positioned, in terms of interest and wherewithal, to provide this care? Logically, wood-based industries such as paper and matchsticks, among others, ought to be, since forests are very fundamental to their prosperity. Paper manufacturers have already voiced their readiness to participate in output raising projects by providing technology, finance and manpower. Since all forest land is under government management, the government must respond.

Unfortunately, since this is one problem which is unlikely to boil over in five years, no government with a five-year term is interested in taking the initiative.

What's the secret that makes Hero keep costs this way...



Since inception, Hero has been witness to staggering incremental costs in all its inputs by 16 to 20 times.

What is truly incredible is that the price of Hero bicycle has gone up by only 4 times and what the consumer gets today at such a low price is a bicycle which is much superior in quality. **Hero is the only bicycle in India with extra muscle because all its friction parts like B.B. Axle, Pedal axle, Hub cones and chain rollers are manufactured by cold forging technology.**

The secret behind this miracle!

Hi-tech machines

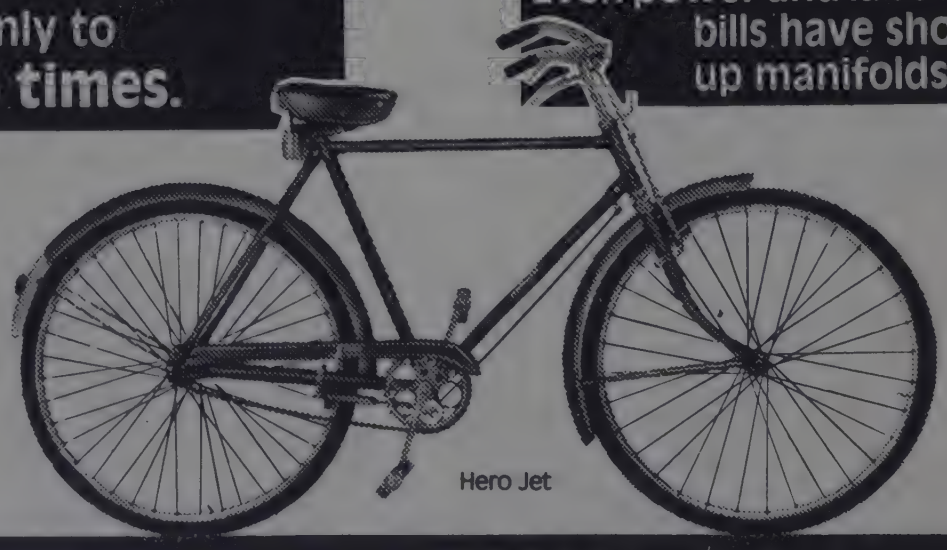
Hero is fully equipped with high-tech modern machines which reduce labour cost to the minimum and ensure optimum utilisation of raw material with no wastage thereby keeping the cost of the bicycle low. The technical competence of Hero's professional team is able to achieve substantial savings on oil, steel and electricity.

High productivity

In a high productivity company like Hero nothing is kept idle – neither men nor machines. Its productivity scale enables it to produce the maximum within the given period of time and it helps keep the cost low.

The price of HERO BICYCLE has been increased only to 4 times.

Although since our inception in 1956 price of steel, nickel, brass, rubber & paint has risen by 16 to 20 times. Even power and labour bills have shot up manifolds.



Hero Jet

HERO CYCLES LIMITED
LUDHIANA (Pb.)-SAHIBABAD (U.P.)



Hero VIP



Hero Skipper Hi-Riser



Hero Unibike

7 E MAY
C. F. T. R. I., MYSORE

...Even though the last 30 years have seen costs going only one way.



Mass production for mass economy

The overhead expenses remaining the same, as the production goes up, the cost per unit comes down proportionately. Today Hero is the largest manufacturer of bicycles in the world – over 10,000 bicycles everyday.

Advanced technology

It's part of its philosophy to imbibe and adapt advanced technology from world leaders, Hero's collaboration with Honda of Japan for Hero Honda and Showa, Japan for Munjal Showa has constantly upgraded existing technology to stay ahead in quality and economy.

Largest dealer network

A network of 4000 dealers spread throughout the country stand up to the Hero guarantee of free replacement of major parts like frame, fork, handle bar and chainwheel during the warranty period of one year.

	Price in 1956 (Approximately)	Price in 1989
Steel	Rs. 900 per M.T.	Rs. 14,500 per M.T.
Nickel	Rs. 22 per kg.	Rs. 408 per kg.
Brass	Rs. 3.75 per kg.	Rs. 74 per kg.
Rubber	Rs. 1.90 per kg.	Rs. 22 per kg.
Enamel Paint	Rs. 9 per litre	Rs. 115 per litre
Furnace Oil	Re. 0.25 per litre	Rs. 4.92 per litre
HERO JET	**Rs. 150**	**Rs. 605* ONLY**

*Maximum recommended retail price with scooter type seat & chain cover. Fitting charges and local taxes extra.

HC-NP-208



Hero Jet Hero Hawk

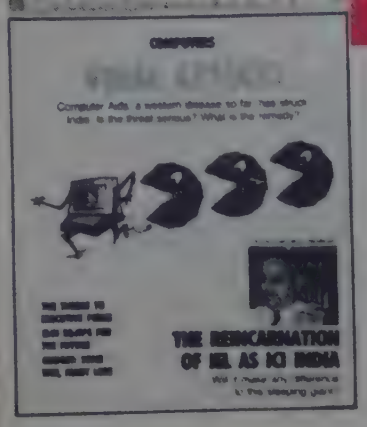
No.1 World-wide

HERO BICYCLES

Ride a Hero. Feel No.1

Lowest priced Quality Bicycle

LETTERS TO THE EDITOR



MISINFORMATION

The article titled 'Hairy future', published in the 'In the news' section (*BW* 15-28 March, 1989), contains a lot of misinformation, presumably because it was obtained from only one source: Protchem Industries themselves.

Contrary to what has been reported, human hair has been used as a raw material by a company in south India to produce an amino acid called L-Cystine since 1986. The factory was set up with Japanese collaboration and there was a buyback arrangement for the product since the machinery had been supplied by the same collaborator. However, when the factory went into production, the collaborator refused to buy back the product and created a serious financial problem for the Indian company.

We understand that it is the same Japanese company, but sporting a different name, that has tied up with Protchem. We wish all the best to Protchem and hope that they will not be condemned to the same fate that we were.

M.C. Gupta
Hyderabad

CORRECT ASSERTION

I have always had a high regard for your columnist M.V.Kamath, both for his good judgment and the fact that he does not hesitate to call a spade a spade. He has lived up to his reputation in his Political Comment item on 'The Rushdie affair' (BW 15-28 March, 1989).

Kamath has correctly asserted that "for Ayatollah Khomeini to defy the world and order the execution of a citizen of another country is an international affront that cannot possibly be tolerated." I am not of the view that what



SALMAN RUSHDIE: TWO WRONGS DON'T MAKE A RIGHT

Rushdie did was right, but can two wrongs make a right?

Sanjeev Kumar Sinha
Darbhanga (Bihar)

GUARANTEED PRODUCT

I refer to N.B.Grant's letter (*BW* 1-14 March, 1989) which referred to our Aquaguard water purifier. Eureka Forbes reaffirms that Aquaguard is internationally recognised as a proven water purification system and not merely a filter. The company has stood by, and will continue to stand by, its guarantee to its customers that tap water, when passed through Aquaguard, will deliver safe drinking water.

The company guarantees the functioning of the entire system, including the ultraviolet lamp and active carbon filter, at the time it is sold to the consumer. Thus, in the unlikely event of any part being defective, whether consumable or not, it is replaced free of charge. Additionally, the company normally replaces without charge both the ultraviolet lamp and the activated carbon — when properly used — during the guarantee period.

Harish Pandeya
Asst. Manager, Market Development
Eureka Forbes
Bombay

KEEPING THE RECORD STRAIGHT

This refers to a letter by M.N.Venkatasubramanian published (*BW* 1-14 March, 1989) under the heading 'Sponge iron know-whow'. Since he has made certain remarks regarding coal-based sponge iron technology and my personal views, I would like to keep the record straight.

I was seconded by Tata Steel to Ipitata in the latter half of 1982 for a period of five years and so after completing the project within the given time schedule I returned to my parent organisation. Therefore, my 'retreat' to Tata Steel, as Venkatasubramanian puts it, was as planned. That Ipitata, one of the few examples in India of a plant based on fully indigenous technology, has produced well above the rated capacity of 300 tonnes a day on several occasions means that the process selected was okay. These are my personal views, held not as the erstwhile managing director of Ipitata or even as director of R&D at Tata Steel, my current job.

It is, however, in the area of profits that Ipitata, like many new companies that may have purchased technology from abroad, failed in the initial learning period. This should now improve since margins in the sponge iron business have been better of late.

While Venkatasubramanian's knowledge of direct reduction (DR) may be more intense than my own insofar as he was able to crystal-gaze successfully into the future of the industry as far back as 1983, it is cursory knowledge that gas-based plants are more energy-efficient and produce a cleaner product. Both these advantages arise out of the fact that in shaft furnace DR, the reductant is a gas which improves the kinetics of reduction and the spent reductant does not report to the product. Therefore, his contention that this observation of his was refuted by four interviewers, including myself, is perhaps incorrect. I do not recall having interviewed Venkatasubramanian.

In conclusion, I would like to reiterate what was probably conveyed to Venkatasubramanian way back in 1983 regarding gas-based DR. Given the then prevailing prices of sponge iron, even accounting for the superior energy efficiency of the gas-based process, it would not have been economical to use gas. That's because gas prices were then Rs 2,500 per 1,000 cubic metres (currently Rs 1,300 per 1,000 cubic metres). We have never doubted that gas-based DR is more energy-efficient or that it produces a superior end-product. What we advocated then, and still do now, is that coal-based DR is more suited for restricted scale operations whereas gas-based DR is better for larger tonnages.

Amit Chatterjee
Director, R&D,
Tata Steel
Jamshedpur

INFORMATION EXPLOSION

The government often responds to the demands of parliamentary committees for information by putting forward specious reasons regarding confidentiality. When stonewalling does not work, the "missing file" argument is always there. But at times, the government changes tack and supplies so much information that it becomes difficult for committees to sift through the material.

The Public Accounts Committee (PAC) normally takes up for investigation the matters commented upon by the comptroller and auditor general (CAG) of India. This time, however, the committee, under the chairmanship of Amal Dutta, decided to take *suo moto* notice of some matters of importance. It chose three subjects — Reliance's alleged smuggling of a part of its Patalganga plant, the excise concessions on manmade fibres (affecting Reliance and others), and the main battle tank being developed for the army.

When the committee asked for material on the subjects, the government supplied it with raw data and material in such huge quantities that the committee was at its wits' end. It could not sift through the data to make sense out of a complicated affair. Reason: it did not have the requisite staff. With only 12 personnel to delve into dozens of subjects, the committee found that merely getting the information was not enough. It had to get the right information and pose the right questions. For lack of time and manpower, it could not do this very effectively. The government thus got away with mild reprimands from a committee which normally does not mince words.

According to Amal Datta, who soon leaves office to pave the way for the setting up of a new committee, the CAG is in a much better position to sort out the material. He can also obtain better insights into how the government has worked — or not worked. The government, on its part, has played a very smart card, knowing all too well that the committee was not in a position to make much headway on the basis of raw data. The plan now is either to ask Parliament for a substantial increase in the staff, which is hardly possible since the treasury benches are not favourably disposed to the PAC, or to avoid taking up *suo moto* cases. The latter would indeed be a tragedy.

LEAKING FOR PARTISAN ENDS

A government which deliberately leaks is obviously desperately trying to plug those holes which cropped up where it did not want them to. The investigation launched by Rajiv Gandhi's government to discover how the Thakkar Commission report was leaked is really laughable when one takes into account the fact that the government regularly passes on material to the press.

When it suits the government, it takes a strict stand that the information sent by a governor to the President is confidential in nature and not for publication. Or that anything sent by the President to the executive cannot be revealed, even to Parliament. (Remember the Zail Singh letter controversy?) However, the government has no qualms in passing on to the press photocopies of letters sent by a governor when such publicity helps the ruling party.

In the Karnataka affair, the state's governor had sent a letter to the President suggesting the dissolution of the assembly and the imposition of President's rule. The governor had used very strong words, which are not normally associated with the high office he occupies. However, this was grist to the Congress(I) mill, since it would make opposition members look like fools. So the two letters sent by the governor were given to reporters in the same cool manner as if they were press releases. The only caveat issued by the top government official who released them was: "Don't quote me. I have not given it to you."

This, in normal parlance, means the government is leaking a hitherto "secret" communication but does not want this to be known.

BACK TO SQUARE ONE

The ongoing controversy over the use of alternative polyester intermediates, purified terephthalic acid (PTA) and dimethyl



RELIANCE'S PTA PLANT

terephthalate (DMT), by fibre manufacturers is back where it started: at the doorstep of the department of chemicals and petrochemicals.

The Indian Petrochemicals Corporation Ltd. (IPCL), which was asked by the department earlier this year to sort out the issue, has reported failure in its bid to convert more DMT users to PTA after a series of discussions with polyester manufacturers. The public sector nodal agency, which was entrusted with the job of working out a fair ratio for the distribution of DMT and PTA among users during 1989-90, has thus effectively passed the buck back to its parent department.

The crux of the problem is that there are many takers for cheaper DMT (produced by IPCL, Bombay Dyeing and Bongaigoan Refineries), but few for the costlier PTA, produced by Reliance Industries. There is, thus, a shortage of DMT and a surplus PTA in the market.

The department will now have to decide whether to use the stick against polyester units which have facilities to use both PTA and DMT or not. If it bullies such units into buying PTA, then it could be accused of acting as a sales agent of Reliance. The saner and rational option could be to ask Reliance to price its product in such a way as to make users neutral to both DMT and PTA. But will the department have the political courage to ask the influential and mighty Reliance to reduce its price?

Following persistent demands from polyester manufacturers for fair pricing in PTA, the department referred the issue to the Bureau of Industrial Costs and Prices in mid-1988, but nothing seems to have emerged.

If the department does not want to annoy Reliance by asking it to make its PTA competitive, then it should at least allow DMT imports to ease the shortage, which is estimated at 18,000 tonnes for 1989-90 as a whole.

To demonstrate the versatility of the Z-75 heavy-duty vacuum cleaner, we'll drop a few names...

GODREJ, HONGKONG BANK, MAFATLAL, OBEROIS, PFIZER.

Read on to see why they're so satisfied with the Z-75...

VERSATILE

The Z-75 comes with a wide range of accessories that enable it to totally clean everything, from floor to ceiling: all kinds of floors, carpets, computers & computer peripherals, sophisticated electrical and electronic equipment, etc.

POWERFUL AND HEAVY-DUTY

Two motors and high vacuum pressure, make the Z-75 powerful. Since it is heavy-duty it can be used where long periods of operation are required.

COMPACT

It's a compact, heavy-duty vacuum cleaner, with a unique, self-contained accessory pocket (for flex cord and accessories). And, it has a large volume dust bag – with a capacity of 10 litres. A strong handle, the low body weight and sturdy castors make it portable, and manoeuverable. So, it's ideal for cramped spaces.

UNIQUE

The unique feature of the Z-75 is the 'Blower End'. When the spray bottle (a standard accessory), is attached to this end, almost anything can be sprayed. Insecticides. Disinfectants. Room fresheners. And, even paint!

For convenience in servicing, there are over 40 service centres, all over India.

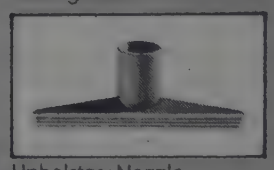
For a free demonstration at your premises, contact:

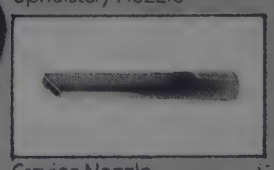
EUREKA FORBES LTD.
Industrial Products Division
Forbes Bldg., 4th Floor, Charanjit Rai Marg,
Fort, Bombay 400 001.
Tel: 2044695, 2043286, 2047870.

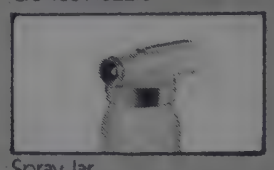



Floor Brush


Dusting Brush


Upholstery Nozzle


Crevice Nozzle


Spray Jar

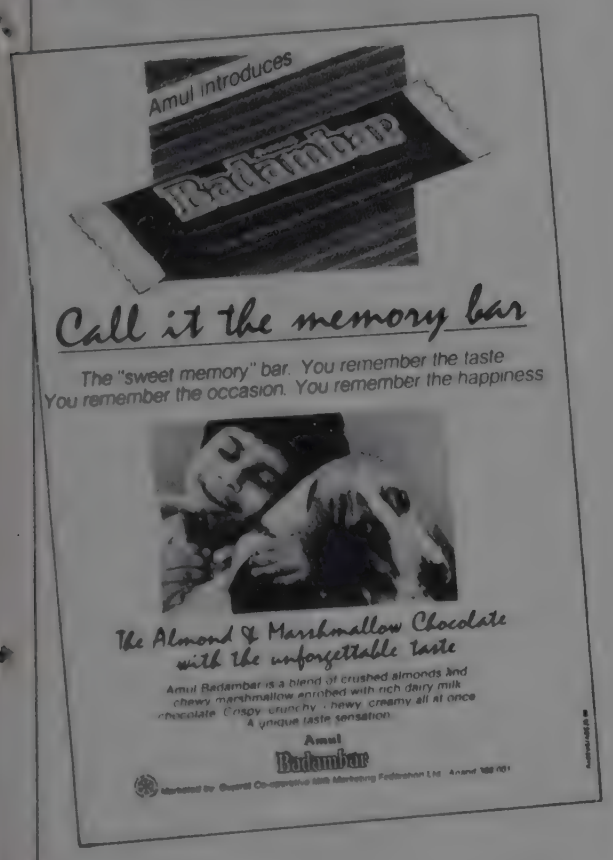
Z-75
The first name in compact heavy-duty vacuum cleaners.

everest/88/EFL/431

A NUTTY CAMPAIGN

It takes guts to ask you to remember with nuts. But Amul is doing it with chocolate coated 'badam'. It has recently introduced the Amul Badambar, dubbed the "sweet memory" bar.

Amul's new sortie comes at a time when Cadbury's has splintered its attention into many new lines of business — biscuits, ice-cream and health drinks. Celebrating an anniversary a few months ago, Cadbury's had launched an exclusive range of chocolates like Old Jamaica and gifted to the market a macro-bar of the milk chocolate. But it then promptly turned to its newer lines of business.



Amul's launch of the memory bar should remind people of the time when Cadbury's was the one creating new flavours. The Amul bar is an almond and marshmallow concoction — something which Cadbury's has not introduced.

The target audience identification is a bit obscure as the visuals feature a human (male/female, age 7 to 17 years) and a dog. The dogs appear more dreamy-eyed and further down memory lane than any of the human beings. The humans, besides, are rather young to go meandering down memory lane.

The ad campaign for the Badambar is a poor follow-up on the "too-young too-old" campaign for the earlier range that gave the brand immense visibility. In a market where Dr Writer's and Campco are floundering and Cadbury's has a lot on its plate, Amul could have made a killing with a more catchy campaign.

However, every dog has its day and the dreamy-eyed Amul doggie may also cause people to bite.

TITANIC MEMORABILIA

New is not always perceived as being simultaneously better. In fact, ever since the maxim 'old is gold' entered common parlance, people have been suspicious of all things new.

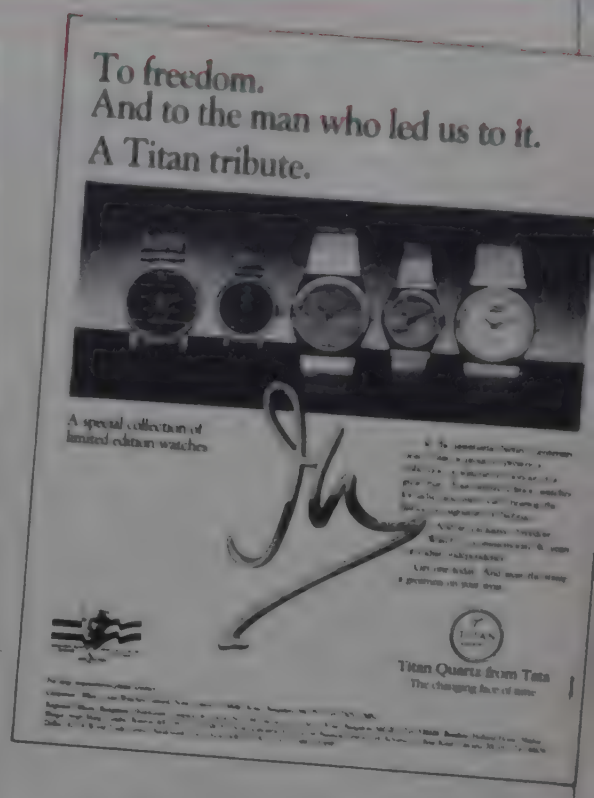
Hence, even with their obvious advantages, quartz watches have found it difficult to penetrate the handwound and automatic watches market. None of the three leading manufacturers — HMT, Titan and Allwyn — has made very aggressive efforts to develop the market. Concept selling through consumer education is thus still low-keyed.

It is not surprising, therefore, that when Titan researched the brand images of various watches, its own came through in not too favourable a light. While consumers perceived the steadfastness and reliability (though old fashioned) of Mahatma Gandhi in the handwound HMT watches, Titan was personified as Rajiv Gandhi — young and modern, but of dubious durability.

Titan is now doing its best to alter the personification and to identify its quartz range with a person simultaneously modern, yet representing old and upright values. What better choice than Jawaharlal Nehru?

Cashing in on Nehru's centenary year, Titan has introduced a limited edition of Nehru watches — with more ad releases than watches. The purpose is to establish the association. Just weeks earlier, in the same effort at image-building, Titan had released watches to commemorate the sesquicentennial year of *The Times of India*.

Carried away by this latest self-introduced trend of commemorative watches, there is also one range to celebrate the Indian freedom movement. In the forty-second year of independence, the release seems obscurely timed. But then, when other gambits have not worked...



In the early enthusiasm to sell on sheer good looks, Titan earlier had its entire creative efforts focused on watch dials in true catalogue format. In a subsequent change of strategy, the emotive appeal was incorporated by giving the watch human associations. The new creative too seems to have failed, prompting this latest change in strategy.

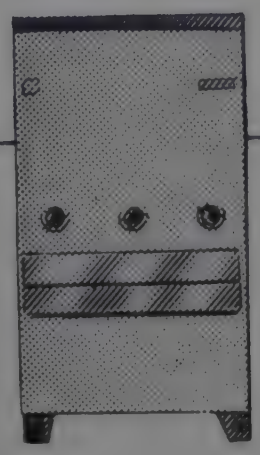
Titan thus is set to take over from where the postal department leaves off — with a model to commemorate each occasion. Philately is outdated. Watch collection anybody?

LINTAS' BRILLIANT ACCOUNT

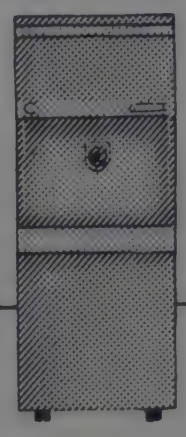
Lintas executives must have been cock-a-hoop around the time of their 50th anniversary bash two months ago when word reached them that the high-profile, Madras-based Brilliant Tutorials' Rs 1.5 crore account had just landed in their laps.

Brilliant's head, N. Thanu, was persuaded to switch to Lintas when his earlier agency, Efficient, found the Brilliant account too large to handle efficiently. Thanu's style of advertising — he believes in looming large in the public consciousness — has made the Brilliant ad very noticeable. Not without dividends. Brilliant now has over 35,000 students nationwide. "High frequency is my principle," explains Thanu of his advertising blitz. Will Lintas burnish the ad to greater brilliance?

Before you decide which water cooler to buy consider this:



VOLTAS *for reliability*



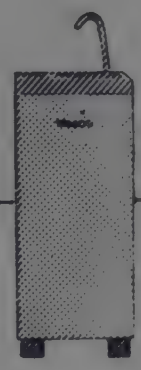
VOLTAS *for good looks*

VOLTAS *for after-sales service*



VOLTAS *for easier maintenance*

VOLTAS *value for money*



Voltas, of course

When it comes to water coolers, it makes sense to buy Tushar Water Coolers from Voltas – the acknowledged leaders in air conditioning systems. You'll find they win hands down – on every score!

VOLTAS TUSHAR
WATER COOLERS

Cooling know-how you just can't challenge.

CLARION/BV/189/254

VOLTAS LIMITED
Appliances Business Group
19, J.N. Heredia Marg,
Bombay 400 038

IS: 1475

Also available on DGS & D rate contract.

FALLOUT OF TECHNOLOGY

The hallmark of today is fast-changing technology. This has had a major effect on industrial companies which now face a critical challenge in marketing their products and services. Being product-driven and selling the latest features no longer automatically win them sales — even from past purchasers. Today, they have to sell technologies and technological advantages, not just products and equipment; they have to be market-driven in every respect.

This realisation is sweeping over industrial marketers the world over, and so also in India. They are becoming aware that success in this changed scenario depends on acquiring and using new marketing skills. A recent study titled *The new marketing shape of the American corporation* published in the US underscores the fact that the marketplace has now become *the* driving force in business planning and management. Companies are thus growing more marketing-oriented.

The experience of some of the more progressive industrial companies of the eighties points to this new marketing direction and to steps that can be taken to enhance marketing capabilities. Sony Corp. of Japan is a case in point. In India we have our own trendsetters in Larsen & Toubro, Tata Unisys, and even public sector companies such as HMT and Maruti Udyog.

Foremost in this change and challenge is the realignment of corporate priorities and the drive towards strategic market planning or being market-driven.

Coming to grips with internal organisational issues is among the most difficult challenges faced by industrial companies. For generations they focussed on production and R&D. They tended to see marketing as a fringe activity. Now, their thinking must change and be oriented to meet the market needs. Thus, as marketing assumes new prominence, roles and responsibilities have to shift. Seat-of-the pants judgement no longer will suffice to evaluate management and marketing decisions. New tools have to be devised to measure decision-making parameters. This includes financial, marketing and information systems.

Marketplace developments are providing lessons to industrial companies. They are discovering — or rediscovering — niche marketing. They are finding the right niche by penetrating increasingly competitive markets and profitable market segments, introducing differentiated products, charging premium prices, and thereby improving their overall profit margins.

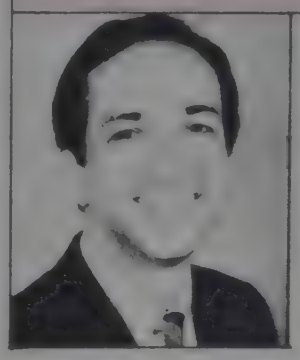
By extension, niche marketing — or as a matter of fact any strategic marketing action — puts a premium on real 'new generation' products that meet defined needs. Innovation and adaptation becomes in demand because customers do not want mere line extensions. Also, competitors can match them too easily. The environment, therefore, calls for breakthrough products for market niches and specific customers. In addition, the present day shorter product life cycles and increased competition dictate pragmatism in which the 'not invented here' concept no longer sounds the death knell as it did earlier.

Internationally, and now even in India, industrial corporations are beginning to rely more on external third-party and collaborative arrangements to acquire new products and markets. Joint ventures, takeovers and mergers are gaining popularity. With this the major manufacturers also short-circuit a long, expensive learning curve and high capital investments in implementing their marketing and sales strategies.

Ultimately, in business and in marketing, staying competitive means binding customers closer. New communications technology, systems and media channels available today provide better ways to do that. In line with this, industrial advertising and communications are taking new forms. They are much more creative and impactful than before.

Corporate promotion and communications is another area which is gaining momentum. Corporate advertising communications in industrial marketing are being strategically devised, and professionally managed, to achieve the defined goals. All this is part of strategic marketing and an important factor in the success of the marketing programme to win new and retain current customers.

For industrial product companies, the marketplace has at last become a driving force in business planning and management



Though experts agree that strategic marketing in the industrial products and services field is very much needed to succeed, there is however one risk in all this. Too often, industrial marketers demand (or expect) that complicated issues be reduced to simplistic formulas. Dennis Yeskey, the author of the *The new marketing shape of the American corporation*, offers three examples to explain this. His first example is around the common philosophy that "You have to be the low-cost producer." This philosophy, he says, has put many a company out of business before achieving its goal. In fact, today's emphasis on marketing is partly a correction of such logic that shuts out other viable market positions. His second example is around the concept of "Go for market share." This was a rallying cry that folded under increasingly complex questions posed by the real world. And his third example is that in "Searching for excellence" we can now begin to admit that it is an attractive idea, but not a plan for achieving definite success.

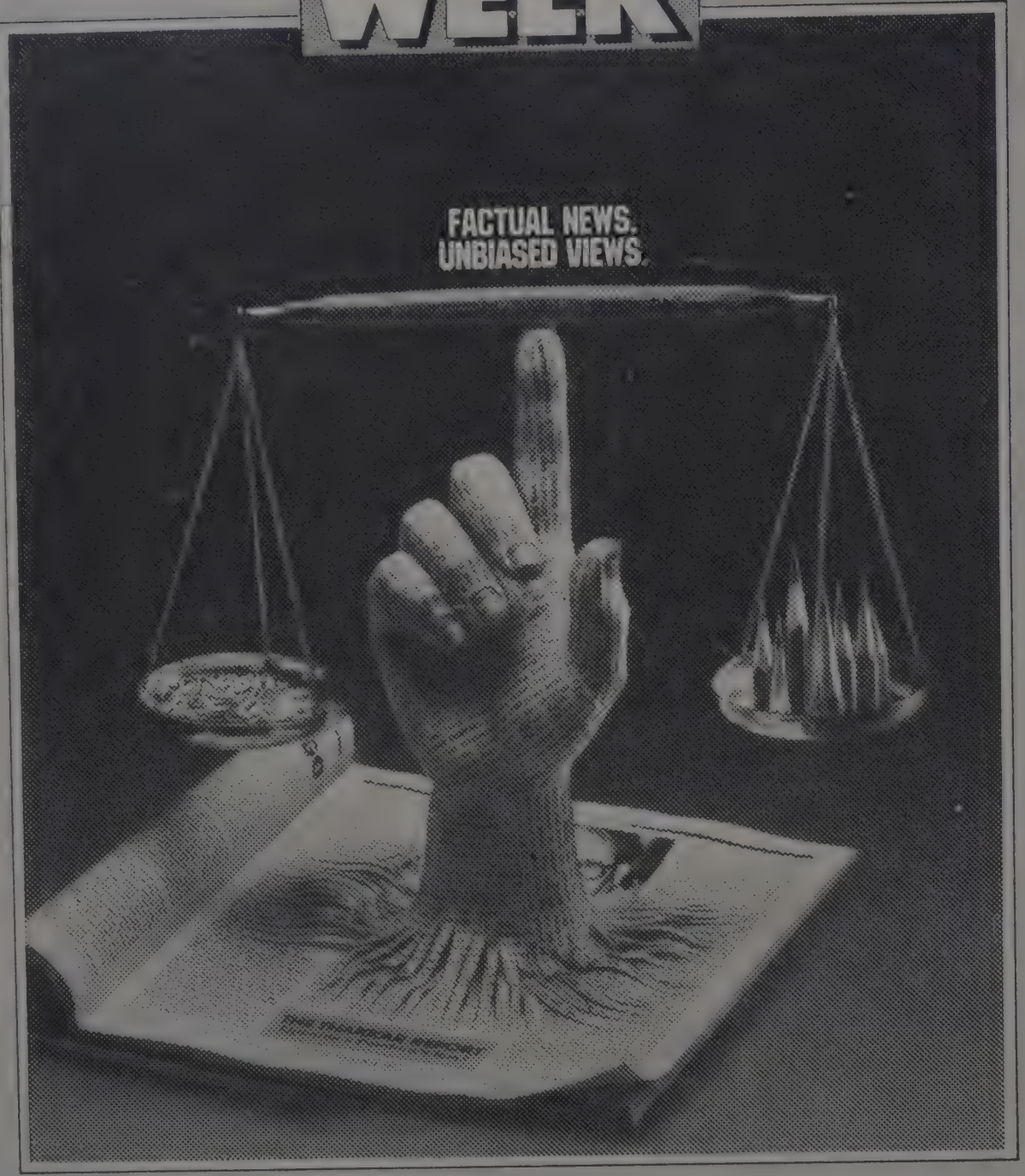
In sum, for success in industrial marketing it would be greatly appropriate to separate the sizzle from the steak. One needs to understand that marketing is not a cure-all. But strategic marketing is today an important way of thinking that should be integrated equally among the disciplines that companies consider vital for their success. It is the first basic step manufacturers must take to face the future competitively.

■ *Sushil Bahl*

The author is general manager (publicity & PR) of Greaves Cotton Co

TRUE TO WORD.

THE WEEK



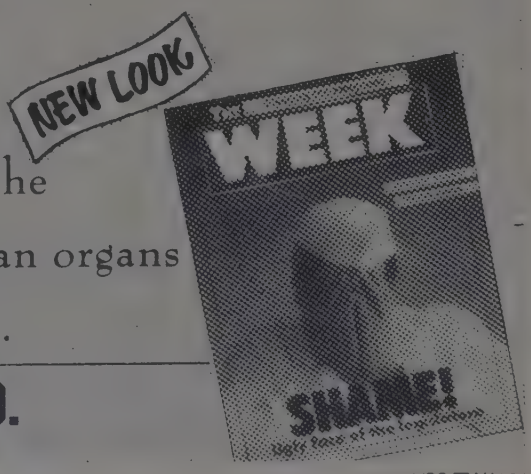
Open the new look Week, and get exposed to the realities of the real world – with investigative articles; factual & comprehensive news; well respected, unbiased views; and thoroughly documented background information.

The Week. It has always captured the events of the past seven days in a crisp, concise style – accurately gauging political undertones both national & international, closely monitoring the pulse of business & industry, keeping abreast of science & technology, providing a ringside view of sport events worldwide, tracking crime, besides bringing to light the latest developments on the art & entertainment front.

So to get an exclusive, in-depth view of the past seven days' events, grab the latest issue of The Week. Contact your nearest newsagent, today!

The Week was the first Indian magazine to do :

★ A story on the Bofors scandal ★ A firsthand report on the hijacking to Lahore ★ An exclusive into the trade in human organs ★ An exclusive on Aparna Sen's controversial film on sati.



NOBODY COVERS THE PAST SEVEN DAYS, THE WAY WE DO.

everest/89/TW/131

EMPLOYMENT & PRODUCTIVITY

Productivity and employment represent two facets of a mosaic which influences people and economic policies. I had written a paper in 1987 on productivity and its drag effect on India's industrial growth and exports. While I do not propose to reproduce the detailed analysis contained in that paper, it is nevertheless necessary to refer to the widely held perception in our country that modernisation, the surrogate for improving productivity, leads to loss of employment. This argument tends to be buttressed further by a second one; that in a country like India, labour intensity must be the prime consideration in existing industries and new investments.

SERVING CERTAIN ENDS

It is another matter that though manhours worked in Indian industry are amongst the lowest for any nation, wages have risen faster than productivity and total factor productivity has progressively eroded since 1960. The propounders go a step further to suggest that modern technology, improved productivity and international competitiveness are not relevant for India's development and growth and, therefore, foreign investment and technology must be viewed as being primarily exploitative and neo-colonial in character. The ante-diluvian and economically retrograde hypothesis has served certain political and sectoral ends so well that today we find very few takers who would initiate change in vast sections of India's moribund industries and services.

The predominant majority in trade union organisations and their leaders, while privately agreeing with the inexorable logic of productivity as the key to improve competitiveness and viability of industries, violently oppose it on formal occasions and during negotiations for fear of losing their leadership and credibility. A few of the more enlightened ones have begun to concede that viability of industrial units will determine their own survival rather than the number of jobs they may be able to protect in the short term. The sea change in the economic philosophies of the leading socialist countries has also begun to weaken the doctrinaire commitments of certain sections in our country. It is now beginning to dawn that social dogma cannot survive by protecting the interests of a few at the cost of millions.

Indian industrial leaders, managers as well as policy framers have to bear an equally large share of the blame in perpetuating this state of affairs. In a closely controlled, protected and shortage-prone economy, modernisation and productivity were relatively unimportant and the cost of inefficiency was primarily borne by end users. Those below the poverty line remained, for all practical purposes, outside the purview of the monetary economy. This philosophy gladly fed on the phantom argument of inexpensive Indian labour whose cost and inefficiency were but a small fraction in the value addition process.

This outlook has been fed by a stream of one-time technology imports (popularly symbolised by the ubiquitous screwdriver), entrenching obsolescence in every section of industry. The debate on industrial R&D has, for the greater part, been uninformed and sterile. In the absence of competition, which can only be generated by market forces, innovation and change were irrelevant. Innovation cannot be willed in an environment that sustains production and trade in shoddy, high-cost goods and services which today epitomise the 'Made in India' image.

Thus, we find ourselves face to face with a possibly unintended, but nevertheless unholy, alliance of management and labour in building an economy of poor performance and high cost for the benefit of a few at the cost of many. Feeding this phenomenon is a surfeit of labour and industrial legislations whose relevance has long ceased to have any meaning.

The second important development is the more recent series of measures which started the process of liberalisation and which has been the catalyst for boosting industrial growth. Under these changing conditions, the only way for industries to survive and grow in the future will be their ability to compete at home and internationally.

Thirdly, as India develops and its economy gathers speed, the proportion of our international trade is also bound to grow. In other words, while our imports continue to rise, our exports will need to grow faster. This is only possible if we become internationally attractive as well as competitive. This role can no longer be fulfilled by traditional commodities or handicrafts, but will have to be rapidly supplemented by modern, value-adding industries in engineering, chemicals, consumer products and services.

WINDS OF CHANGE

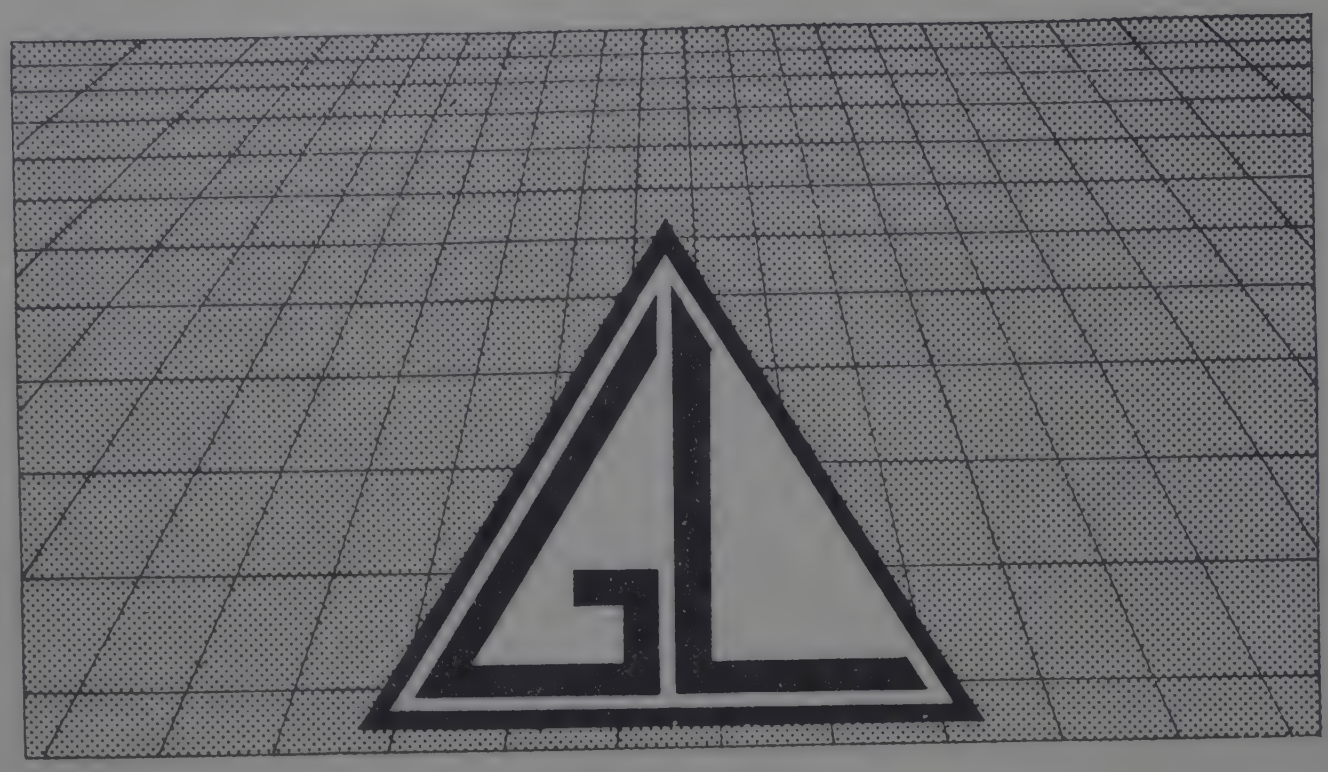
The changes now being thrust upon Indian industry have left most of us in the private as well as in the public sectors somewhat befuddled and threatened. The plea for protection, and the cry of alarm from inefficient and gravely threatened industries, will be useless in the face of strong winds of economic change which demand efficiency, competitive strength and reduction of costs as national priorities as opposed to protection of employment or making new investments in a mindless manner.

This phenomenon, and the government's recognition of it, is also accelerating the dispersal of industries from traditional urban and industrial nodal points to regions



We are now faced with an unholy alliance of management and labour in building an economy of poor performance; for the benefit of a few at the cost of many

In the fast lane to the future....



A Sound Company..... going steady with the success.

Within 5 years of its inception the rapidly growing **Grover Leasing** has consolidated its strength and stability manifolds, now touches a landmark in its operation.

DIRECTION

A flagship company of the fast growing Grover Group, it began operations in 1984 for extending money power in the form of leasing and hire-purchase, finance to the Public, professionals and industries. There are provisions for loans to consumers for purchase of consumer durables, as well as saving plans for children's education, marriage, purchase of assets, etc.

DYNAMISM

The company is managed by an experienced team of professionals imbued with the spirit of enterprise and innovation, maintaining steady growth potential. Their endeavours have made **Grover Leasing** a premier leading organisation, enjoying a great deal of goodwill. Computerised service functions and efficient management of manpower and capital resources, with prudent financial planning, are some of the hallmarks of its modern functionality.

Grover Leasing, an organisation, where the most valuable asset is peoples confidence.

GROVER LEASING LIMITED

(Flagship Company of Grover Group)

Regd. Office : M-2, Yogeshwar, Connaught Place, New Delhi-110 001
Phones : 3323106, 3325803, 3323837, 3321723, 3328064
Telex : 031-61548 GLND-IN & 031-63422 LEAS-IN.
Fax No. (91)-11-3318960

Regional Office : 644 Anna Salai, Madras-600 006.
Phones : 471299, 471386 Telex : 41-8713-GLMS-IN

Branches

Ahmedabad-380009 Phone : 469202 Adyar Madras-600020 T. Nagar, Madras-600 020 Phone : 444843 Bangalore-560 001 Phone : 70526
Coimbatore-641 018 Phone : 36651 Salem-636 016 Phone : 7523 Tiruchirapalli-620 018 Phone : 34050 Madurai-625 001 Phone : 37789
Karaikudi-623 001 Phone : 3031 Chidambaram-608 001 Phone : 2978 Pudukkottai-622 001

PRESSMAN

A COMPANY COMMITTED TO YOUR PROSPERITY

that were once backward. Import substitution, which was the key to our early economic development, is now required to be judiciously blended with the global sourcing of cutting edge technologies in areas such as power generation, urban transport and petrochemicals, among others.

The question arising next is that if Indian industry is being called upon to undergo the painful changes which I have briefly enumerated, will it still be a key source of employment generation? My basic hypothesis is that the very process of industrial growth and modernisation will add to both direct as well as associated opportunities for generating employment. Creating jobs, however, will have to be delinked from redundancies, life-time guarantees and loss of jobs in sick industries. The two are separate issues and must be dealt with as such. The fate of those rendered surplus in traditional industries will require a humane solution and must be considered a social obligation. Loss of jobs is an inherent cost of restructuring a high-cost and uncompetitive domestic industry into a modern, vibrant and low cost one.

In spite of the sharp rise in capital investment in organised industry, it can at best provide marginally incremental direct employment, although its multiplier effect on the service sector and indirect sector will continue to be significant. It has been estimated that during the eighth five-year plan, if industrial growth is assumed at 10% per annum and new industrial investment grows at 8% per annum, this can provide additional direct employment for half a million, two million in the service sector and much more in the indirect sector.

The issue, therefore, is how to create additional job opportunities to meet the aspirations of the underemployed and the new entrants to the job market. The purpose of any new plan must be to give dignity and hope to the individual. This can be done only if his output is economically useful and sustainable.

Loss of jobs is an inherent cost of restructuring a high-cost and uncompetitive domestic industry into a vibrant and low-cost one

THE JAPANESE MIRACLE

This has now become a highly complex and emotional subject in our country. Debates will not produce jobs; meaningful and well-managed schemes will. Among the several socio-economic systems operating around the world, the Japanese socio-industrial structure appears attractive and promising in such a context.

Many scholars have studied in depth what has come to be known as the Japanese miracle. The division of responsibility, accountability and resources in keeping with the propensity of that society has given them a global edge which has no historical parallel. At the centre of it is the Japanese subcontracting system.

The subcontracting system came under severe strain during the period of recurrent recessions and the Great Depression in the twenties and early thirties. Drop in demand led to cut-throat competition among contractors and ultimately resulted in Japanese exports being perceived as cheap and of poor quality. This, however, triggered the restructuring of Japanese industry and further refinement of subcontracting which, in turn, became the key to the Japanese economic miracle.

The low-cost, high-quality leadership of modern Japanese industry is traced back to industry and government jointly fine tuning the subcontracting system by providing training and appropriate legislative guidelines. In the process, the system was thoroughly overhauled, leading to economising of fixed capital, evading the instabilities of business fluctuations, keeping labour cost low while improving productivity and quality. Big enterprises became irreversibly dependent on the system while building up the Japanese export might.

The synergetic impact of innovation, competition, mass production and industrial growth compelled the large firms to concentrate their investments in the core production process — where the latest technologies were the key to survival — and farm out for subcontracting parts and components to suppliers within a vertical grouping dominated by each parent firm.

I have quoted the Japanese model at some length because it represents a unique combination of employment generation, modernisation (the transition to robotics in automobile and metallurgical industries, for example), cost and quality superiority, manufacturing and inventory flexibility, all of which are unparalleled in any other industrial state. Small parts of this model operate in other industrialised countries, including India. But what is of interest is that its evolution and wide prevalence in Japan, supported by appropriate legislation and social balance, may be a worthwhile opportunity in the current state of our industrial development which requires generation of employment along with improvements in productivity. On a more immediate note, while the Japanese model provides some extremely attractive policy alternatives, several parallel processes will have to be pursued.

In the foreseeable future, the two most important sources of employment will continue to be: (a) programmes aimed at improving agricultural productivity, and (b) planned economic development proposed to be instituted at the district and block levels.

DISTRICT LEVEL PLANNING

District level economic and development planning is a novel process and for it to be successful it will have to be gradual as well as selective. For example, for the eighth plan, a specific number of model districts may be chosen where local plans and employment generation could evolve at the grassroots level based on local priorities and needs.

It is worth examining whether the funds earmarked for programmes such as the National Rural Employment Programme (NREP) and Rural Landless Employment Guarantee Programme (RLEGP), or at least a part, could be effectively used for generating value-added and permanent employment. Special plans are needed and priority should be given to people belonging to the backward classes and women. Similarly, separate programmes are required for those without skills and training

Employment generation must be seen as an integral part of India's economic development rather than a consequence of it. It must be taken up as a key national mission during the eighth plan in order to give it focus and a sense of heightened urgency. To signal its commitment, the government may even consider creating a new 'department of employment' to coordinate employment generation as an integral part of our economic development plans by networking with other economic ministries.

CREATING EMPLOYMENT

The focal point of the proposition is that unless we try several and simultaneously imaginative experiments, the country will soon be overwhelmed by droves of unemployed, disenchanted youth. A few ideas to create additional employment over the next five years are outlined in the next few sections.

Forest oilseeds: India is short of vegetable oils, necessitating annual import of 1.5-2 million tonnes. 1988-89 was a welcome exception and must not detract us from our long-term goals to put edible oil production on a firmer footing. In this regard, forest seeds oils are of particular interest.

While the theoretical potential of forest seeds like *sal*, *mowrah*, *neem*, *karanja*, *kusum* and others is over 10 million tonnes per annum, it is estimated that a practical collection potential is of the order of 36 lakh tonnes, provided an effective collection organisation and related infrastructure is set up. In comparison, the highest quantity collected in any one year to date is about 5 lakh tonnes. It is estimated that a person can collect 5-10 kg a day. The manpower equivalent to collect 36 lakh tonnes of seed would be approximately 500 million mandays, or taking into account 270 mandays per worker per annum, this could generate employment for approximately 1.85 million people per annum.

Aquaculture: This can quickly become a key economic activity and provide largescale employment. The government has identified at least 120,000 hectares(ha)of brackish water area for developing prawn aquaculture. At least 75,000 ha of this can be used for extensive prawn farming and 45,000 ha for semi-intensive prawn farming. With proper management, extensive prawn farming is reported to yield up to 0.5-1.0. tonne per hectare and semi-intensive prawn farming between 5-10 tonnes per hectare. It is estimated that in semi-intensive prawn farming, the manpower requirement is 3 persons per hectare and in extensive farming 2 persons. If prawn aquaculture through the production of frys and proper feed is organised, 120,000 hectares could provide employment and economic occupation for almost 300,000 fisherfolk.

Economic forestry: The growing of trees which produce fruit/seeds with a market value could also result in major employment generation. For example, a number of oilseed bearing trees could be included as part of the afforestation or wasteland development programme.

Changes in production practice: Subcontracting (similar to what has been described as the Japanese model) as a formal experiment must be tested in some of the obvious areas as follows.

DISTRIBUTION METHODS

In Japan as well as in most other industrialised countries, several bulk commodities are processed in highly automated and sophisticated centrally located plants. These are then transported in bulk to different locations or user points to be repacked in smaller units for subsequent sale and distribution. In our country, we have traditionally done this for kerosene and now we are doing so for natural cooking gas.We need to examine the commercial feasibility of undertaking this, for say fertilisers, cement, soda ash and other bulk chemicals. It has been estimated that if properly managed, it may be possible to generate 500,000 to 1,000,000 jobs in dispersed locations.

Services: The service sector is fairly loosely defined but is increasingly recognised as a major source of employment. In India, traditionally, the service sector has been a major source of employment. The traditional areas consist of transport, loading and unloading, domestic help, small traders, caterers, roadside repairers and many similar activities. As a result of our accelerated economic growth, the opportunities in the traditional service sector are also increasing manifold. For example, with the stress on dispersal of industries to the more backward regions of the country, it is logical to plan the service-related infrastructure for local aspirants rather than leaving them to evolve in an unorganised manner as we have tended to do till now.

Innovation cannot be willed in an environment that sustains production and trade in shoddy, high-cost goods and services

The sunrise service sector is still at square one in our country. With the exception of the spread of banking following nationalisation, all other sectors such as tourism, entertainment, sports, financial services, communications, health, vocational training and venture capitalism remain totally unexploited. The employment potential of these sectors, particularly for the literate and educated, and more so for the women folk, is several fold greater than what traditional agriculture or the manufacturing industry can provide.

Creation of employment is an integral part of our economic and social development. Our economy has reached a stage where the use of our rich human resources can no longer be left to either chance or to natural forces. Up to now we have met part of our objective by economic employment generation, but most of it by social support and upliftment programmes. We now have an opportunity to use employment for generating wealth, fulfilling social commitments, and providing confidence and dignity to all sections in our country.

■ *Dr A.S. Ganguly*

(The author is the chairman of Hindustan Lever. The above piece is an edited version of Dr Ganguly's G.L. Mehta Memorial Lecture delivered on 14 April).

THE ROOTS OF DISSIDENCE

Once again a hunt has begun for the culprit. Who is responsible for the clampdown of president's rule in Karnataka? The president himself? The prime minister? Home minister Buta Singh? Chandra Shekhar, the disgruntled former Janata Party president? The Karnataka governor? H.D. Deve Gowda? Ramakrishna Hegde? Chief minister S.R. Bommai, the Janata Dal leader who was toppled?

The truth, of course, is that the culprit is not a man at all. It is the system. To be more precise, it is the romantic idea of the mega linguistic state which was spawned decades ago but was actually systematised in the fifties. From that have arisen most of our troubles.

Two major concepts have plagued the sub-continent since the thirties: one is that of religion being a unifying factor. The other is that of language. Mohammad Ali Jinnah, for reasons of a hurt ego, exploited the first concept to its hilt. Muslims, he insisted, deserved a separate state. He called it Pakistan.

The concept was irrational, but it caught on nevertheless. The fact that the Turkish Empire could not last despite the fact that it brought most of the Muslim world of its time together was forgotten. The Turkish Empire broke up, never again to be resuscitated. Even so, in much shorter time, Pakistan broke up. This was plainly because Pakistan was built on a false premise. More factors go into unity than mere religion.

The second concept is that language holds people together. Usher in the linguistic state, said the experts, and the administration will run smoothly, the people will know the rules and regulations and all will be well.

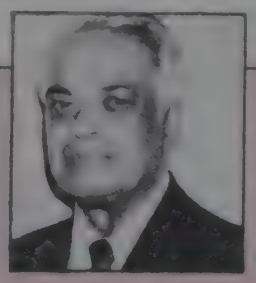
The point is that few people know the rules and regulations, and the administration is as corrupt as ever. The average citizen today is no better off than his fathers and forefathers were in multilingual societies.

To say that people know what administration is all about because it is carried out in their own language is a fraud. With illiteracy as high as 60%-75%, it doesn't really matter if government circulars are printed in the local language or in English. Legislative standards are by no means improved because debates are conducted in the local language. In fact, standards have fallen lamentably.

So linguistic states have done the people no good. What it has done is to bring different economic systems and incompatible regions together in the name of langauge. Hence the phenomenon of 'dissidence.' Antulay is a name. Sharad Pawar is a name. Tirpude is a name. Shankarrao B. Chavan is a name. But Antulay represent the Konkan region, Pawar western Maharashtra, Tirpude Vidarbha and Chavan Marathwada. If they did not exist, we would have had to invent them. No matter who the chief minister of Maharashtra is — and we have seen this over the years — the others will gang up against him because they feel cheated of power. And there are no significant differences between these men. They are all cut from the same cloth.

The same is true of Karnataka. If there were no Bommais and Deve Gowdas, we would have had to invent them. Bommai is a Lingayat from north Karnataka and Deve Gowda comes from what was old Mysore. Ever since the phony Karnataka state was established, there has been a 'war' going on between these groups, each seeking to capture power. The party label is a farce. It has no meaning. Regional conflicts supersede party loyalty. Ramakrishna Hegde could hold the balance because he is a brahmin from a minority district, north Kanara. They put up with him because the Gowdas and Lingayats could not agree among themselves as to who should be the leader. Hegde was a compromise candidate.

The miracle is that he stayed on as long as six years. This is something of a record. But towards the end of five years, the forces that were out of power were getting restless. And nothing could have prevented the Gowdas from staging a revolt. We may argue that Chandra Shekhar put up Gowda against Hegde. That is a simplistic way of looking at things. The fact is Mysore regionalism was asserting itself. Gowda was only an instrument for making that assertion felt.



It is the concept of mega linguistic states which is at the root of most of India's political woes

Regionalism is an affliction touching all parties. The answer to dissidence lies not in name-calling or in finding scapegoats but in breaking the mega states, whether it is Karnataka, Maharashtra, Gujarat, Madhya Pradesh, Bihar or Uttar Pradesh.

Most dissidence, in the end, can be traced to regional conflicts personified in individuals. The individuals do not matter. Regional aspirations do. And these aspirations are not satisfied by appointing regional development councils. They merely serve as a sop without really fulfilling the needs of a region. Hence the revolt of the Gorkhas in West Bengal, hence the demand for a Vidarbha and the setting up of a Konkan Rajya Sangarsha Samiti. These are entirely rational demands and they should be conceded.

It is, of course, difficult to accept that the old concept of a linguistic state was romantic and had no basis in reality. We have also created vested interests in these states since so much power is involved. After all who knows who the chief minister of Himachal Pradesh is? But everyone knows a Hegde or a Pawar or a Chavan. So even when dissidents raise their voice, it is not to demand for a breakup of states but for a chance to maintain their hold, if possible, on the levers of power. None has the good of the country in mind.

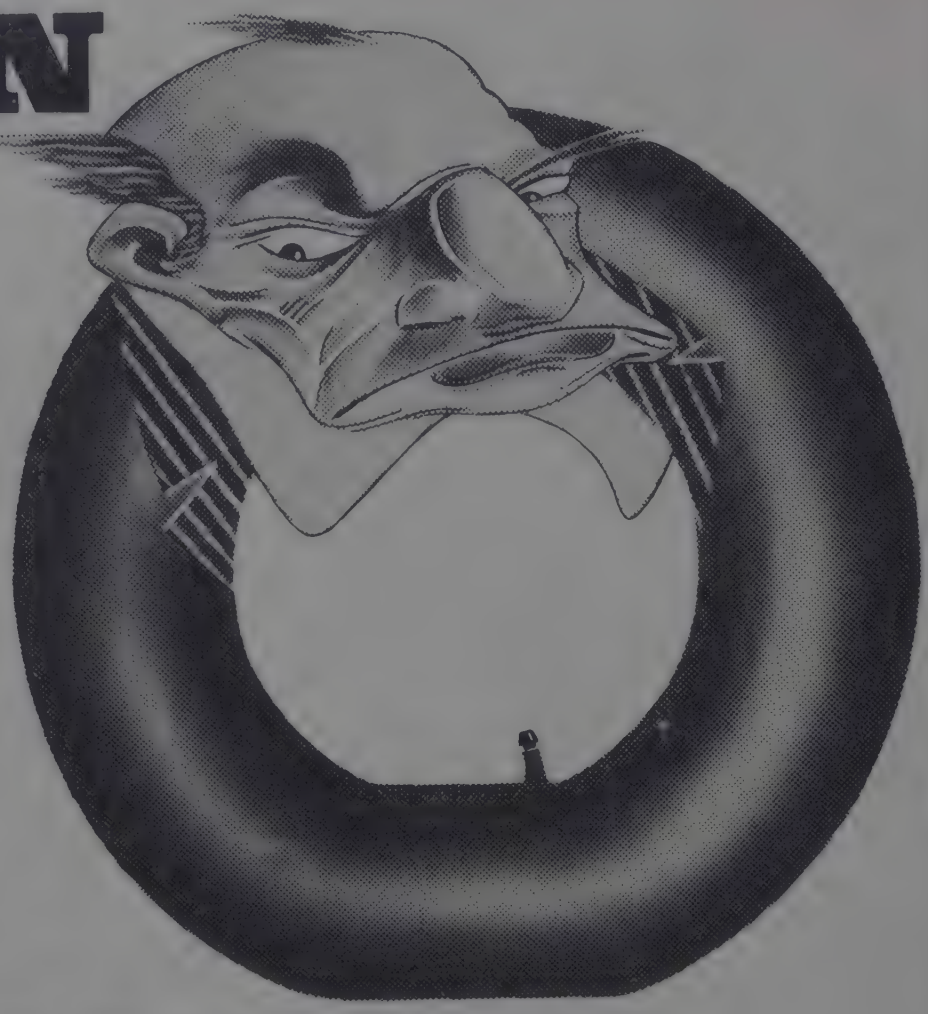
It will be a sad day if Rajiv Gandhi and his colleagues think they have done a smart thing by throwing out the Bommai government. It is going to boomerang on them. What is more relevant is that we are postponing a decision on a matter of crucial importance: the creation of smaller, economically viable states.

■ *M.V. Kamath*

The author is a former editor of The Illustrated Weekly of India

Tyre, Traffic and a Talk of

RALSON





ROADMAN
says the achievements :

Ralson Brands –

- Give Tyre and Rubber industries – Carbon Black. Production capacity increased to 40,000 MT. – Quality recommended by leading Indian Tyre Manufacturers – Ralson Carbon is an added punch to Ralson tyres, tubes and other rubber products.
- Give Cycle/Riksha makers and users – Tyres and Tubes.
- Largest sales in India of Cycle and Riksha tyres – Manufacturing 65000 tyres a day.
- 6000 strong dealers network and 40 marketing centres all over india.
- Strongly backed with modern computerised systems and R&D Laboratory recognised by the Deptt. of Science and Technology, Govt. of India.
- Rs. 60 crore sales last year – Projected turnover Rs. 100 crore with major in-hand diversifications.
- Major exporter to Far East, West Asia, Europe, South America and Africa – Rs. 5 crore export sales last year – many Export Awards Winner – The latest award is from CAPEXIL 1987-88.
- **And now Ralson Butyl Tubes for Trucks, Buses, Cars, Jeeps, Tractors, Two-Three Wheelers etc. from up-dated plant at Bhopal.**

RALSON *The Tyre People*

For any information please contact :
* B-108, Mayapuri, Phase-I, New Delhi-110 064, Phones-591574, 5417608, Telex : 031-76024 RALD-IN, Fax-5417745. * Ralson Nagar, G.T. Road, Ludhiana-141003, Phones-20701, 31501, Telex-0386-325 RLSN-IN, 0386-468 RILL-IN, Fax-30127. * E-2/160, Arera Colony, Bhopal, M.P. Phones-65726, 65033, 68824.

COMPETING IN GLOBAL MARKETS

International marketing has often been compared to an Atlantic regatta; more than the design of the craft, it is the interplay of the winds and the lulls that determines the outcome of the race. Apart from the characteristic forces of competition that operate in any market, the stiff regime of global regulation (and protection) act as an uncontrollable variable that can often make or mar one's chances of success. Global business, at the best of times, remains a precarious walk on uncertainty's edge, beset by exigencies beyond any businessman's control.

Not a very encouraging scenario perhaps, but it is across these rocky shoals that entrepreneurs worldwide have discovered Camelot. Business history in the last few years has been made not by bureaucratic behemoths with their vast product lines (and integrated production lines) but by comparatively insignificant upstarts who have, with characteristic panache, identified unoccupied niches in the wider trading canvas and then gone on to fill them. Upstarts like Louis Vuitton, the French luxury luggage manufacturer who had, till 1977, barely two stores outside Paris. Today he has three score, with 75% of his more than French franc 1,500 million (Rs 380 crores) output being sold globally. Or people like Jagdish Kishen Bose, the India-born, Dutch-naturalised accoustics specialist whose high-performance speaker systems are the pride of any music aficionado.

India has been a very recent entrant in this business of global marketing. Though the latest trade figures indicate that exports jumped by 28.2% in the 11-month period up to February 1989, the basic fact is that our 0.45% share of world trade is rather insignificant. A major part of our earnings comes from three or four product groups like leather, garments, agricultural products and diamonds. And in most cases, hardly any brand marketing is done in foreign markets. However, Tata Exports' Nicholson Cochin brand of leather products is one of the notable exceptions where an Indian company is trying to push its individual brand.

But despite all the limitations an exporter faces in terms of production scheduling, raw material availability, financing costs, etc., there are a few classic instances where Indian businessmen have established themselves in distinct market niches.

Take Rita Sagrani, an India-born Sydney-based woman who heads a flourishing business with over 1,000 employees. She started out by importing cheap cotton clothing in attractive colours and prints to produce inexpensive outfits in the seventies. Today, she has come a long way from supplying shapeless apparel to a swaying generation of the hippie cult. Her A$500 (Rs 6,475) investment has turned into a million dollar business and her Orientique label is being wooed in exclusive fashion markets all over. Sagrani's secret is using bright and soft Indian textiles as a base material to produce elegant western outfits. She uses Indian silks and even sarees to create exquisitely designed dresses which retain the quiet harmony between sophistication and workmanship. An operational factory in Delhi, Satguru, which produces 2,000 garments daily, remains the nodal manufacturing unit for the Orientique line.

Yet another success in the fashion industry is the saree squire Satya Paul. He has decided to stick to the garment which he knows is synonymous with all things Indian — the ubiquitous saree. Paul's modernisation drive hinges on producing designer sarees for the *avante-garde* Indian and the ethnicity-enamoured westerner. One of his lines was based on the masterpieces of the New York Museum of Modern Art while another combined Japanese watercolour seascapes with traditional Kanjeevaram motifs. Though his S. Paul collection may rival the work of noted designer Zandra Rhodes in its outrageous conception and revolutionary designs, at a $100 per saree it still remains a steal as compared to Rhodes' $2,000-5,000 versions.

Both Paul and Sagrani have scored because they refused to sell just another range of $6-10 shirts and trousers and instead focused on an exotic range of upmarket apparel.

If India is to increase its exports, it has to bring in foreign investment, beef up domestic production and select the right niches in world markets

Similar is the strategy being pursued by the low-profile Spectrum Associates of Madras, who are one of India's few exporters of snake-skin leather garments. In the leather boom of the last couple of years, scores of small fabrication units have mushroomed all over India. When everybody else was producing sheep nappa garments and selling them at $85 a blouson, Spectrum was vending its exclusive handicrafted stuff at a cool $600-700. Value addition that would make even the most phlegmatic bureaucrat of the commerce ministry sit up.

Currently most of India's exports are being sold as unbranded commodities. Ironically, even that grand old dame of our trade kitty, tea, was being sold under the Earl Grey brand name. It is only recently that the Tea Board has launched a publicity drive to make consumers aware of the origins of the leaf that is being marketed by the flavouring houses of London. In such a scenario of near-commodity marketing, finding the right niche is imperative if one is to survive in the embattled global business. Even in the hi-tech world of computer software, Kale Consultants of Bombay have uniquely established themselves as being specialists for hospital management software, a stance that has fetched them rich rewards at the recently concluded CeBit Hanover Fair.

For emerging industrial nations like India, where the business of exports is just picking up, salvation lies only in two areas: either through foreign investments and beefing-up of domestic production capabilities or selecting the right niches for export, even if it be a geographically-defined niche called the Eastern bloc.

■ *Mritunjay Bansal*

The author is a Bombay-based executive with an export firm

SHOCKLOADING! OVERLOADS AND UNDERLOADS! ENERGY LOSSES!



The Effective Electronic Solution from Fenner

Introducing Fenner Softstart and Shearpin Electronic Power Protection Units.

Fenner Softstart and Shearpin are designed to tackle problems for which no adequate solutions are offered by existing systems.

FENNER SOFTSTART

An innovation in electronic motor control. For an engineered start for all your motors. And for energy savings. The features and benefits are:

- Reduction of high starting currents.
- Optimum torque with minimum current.
- Smooth voltage/current build-up — hence no stress on motor.
- Single phasing protection incorporated.
- Extremely easy to install.
- Absence of mechanical stress/constant accelerating torque with smooth run up speed.
- Consecutive starts without damage to units.
- Saving on maximum demand.
- Closed loop version for high starting torques, continuously varying loads, etc.

FENNER SHEARPIN

A new breed of protector, which monitors variables like voltage, current and power factor, computes actual loads, compares them with set loads, resulting in totally effective protection against overload and underload.

Its benefits are:

- Trips motor independent of inverse time/current relation at the selected level of load and time, unlike existing low tension motor protection systems.
- Protects motor against single phasing.
- Adjustable trip time—0.15—12 secs.
- Start time delay — 0.15 — 20 secs.
- Protects both driven equipment and motor.
- Continuous indication of motor loading — helps preventive maintenance.
- No elaborate maintenance required/easy to install.
- Applicable for single phase motors also.

For speed control, Fenner Speedrange AC and DC is a compact modular solution, offering you a choice of features.

Join MICO, TELCO, LMW, WIDIA, BHEL, MODIPON, PIECO and other companies using Fenner's Softstart and Shearpin. Contact your nearest Fenner office, or send this coupon to:

Fenner (India) Limited
Industrial Electronics Division
9-1-87 Sarojini Devi Road
Post Box No. 46
Secunderabad 500 003

I am convinced about the benefits of Fenner Softstart and Shearpin. Please ask your Sales Executive to call on the undersigned.

Name: _____

Designation: _____

Name of Company: _____

_____

Address & Telephone: _____

_____

_____

Fenner

The undisputed leader for over 50 years.

F-386-89

PETROCHEMICALS

HEADHUNTING FOR MANAGERS

The race never ends in petrochemicals. First comes the mad scramble for projects. And once an industrialist has a project under his belt, he gets into a different race, one far less apparent to the public eye: to grab the right managers to commission and run his project. The reason is simple. Petrochemicals being a nascent industry, proven specialised talent is rare.

The end result is even simpler to visualise. "Staff salaries will shoot up," says M.S. Patwardhan, vice-chairman of National Organic Chemical Industries Ltd.(Nocil), the oldest operating petrochem company in the country. "A lot of things will take place that will just not be cricket."

It is already happening. The Ambanis, the canniest operators in the field, are already on the prowl. Their strategy is to raid the public sector giants, which harbour some of the lowest-paid, high-quality managers. Reliance Industries Ltd. (RIL) and Reliance Petrochemicals Ltd. (RPL) have together caused a significant drain from public sector fertiliser and oil companies (see table). And now, the Ambanis have even cast their net overseas.

Biggest recruiter. Reliance is the biggest recruiter now because it is the only private sector group to have won concrete projects. The other petrochemical hopefuls — like Vijay Mallya, the Ruias of Essar, C.K. Birla *et al* — are merely in the running for projects that are still some way off.



GANGULY STRESSES HIGH-QUALITY PERSONNEL

Till late last year, Reliance primarily concentrated on oilmen because it wanted to make it to the big time in oil exploration and refineries. For the first, H.P. Aranha (ex-ONGC) will be helpful, and for the second, Reliance can draw on the strengths of K. Krishnamurthy and R.P. Singh (from Hindustan Petroleum and Indian Oil respectively). Both these men have been recruited as advisors.

But before Reliance could make much headway in oil, it has got green signals for its massive petrochem projects. Reliance Petrochemicals is setting up capacities to make polyvinyl chloride (PVC), high-density polyethylene (HDPE) and monoethylene glycol (MEG) at Hazira in Gujarat, for which it had recruited Duleep Singh, the tough-talking, no-nonsense manager who worked wonders for Rashtriya Chemicals and Fertilizers (RCF).

As chief executive (works), Singh is in charge of the Hazira project, but the Ambanis apparently needed some more key managers for it. S.V.Palande has been brought in from Humphreys and Glasgow as chief executive (engineering), though the project is being handled by Reliance's own group company Larsen & Toubro.

In its headhunting spree, Reliance has capitalised on the dissensions and frustrations that permeate many large public sector companies. In late February, Reliance further strengthened its team by wooing away J.S. Bakshi from India's largest petrochemical company, the Indian Petrochemicals Corporation Ltd. (IPCL).

Bakshi may have left unhappy. He was the seniormost person in IPCL when S. Ganguly left in March 1988, after being denied an extension. In fact, Bakshi even acted as the chairman-cum-managing director after Ganguly's exit. But he didn't ultimately inherit the *gaddi*. Hasmukh Shah pipped everybody at the post. Following Bakshi's and Ganguly's exit, there is hardly any petrochem heavyweight left on the IPCL board.

Reliance, it is rumoured, even tried to snap up Ganguly, the topmost petrochem expert going. But failed.

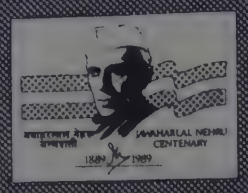
Invaluable acquisition. Among Reliance Petrochemicals' most recent acquisitions is Kamal Nanavaty (ex-IPCL), a young and dynamic marketing man, who joins RPL as deputy chief executive (marketing). Con-

RELIANCE'S SCALPS

Name	Earlier position	Position in RIL/RPL
K.K. Malhotra	Director (refineries), IOC	Chief executive, RIL, Patalganga
K.D. Singh	Chief transport advisor, IOC	Manager (materials & logistics), RIL
K. Krishnamurthy	CMD, HPCL	Group advisor (manufacturing)
A.S. Desai	Chief operations manager (w. region), IOC	Manager (tank farm), RIL
R P Singh	GM, IOC refineries, Barauni/Guwahati	Group advisor (technical)
H P Aranha	Director, ONGC	Group advisor (oil & gas)
Duleep Singh	Ex-CMD, RCF	Chief executive (works), RPL, Hazira
J S Bakshi	Director (finance), IPCL	Chief executive (commercial), RPL
S V Palande	CMD, Humphreys & Glasgow	Chief executive (engg.), RPL
Kamal Nanavaty	Regional manager (w. region), IPCL	Dy. chief executive (marketing), RPL

Abbreviations ONGC- Oil & Natural Gas Commission, IPCL- Indian Petrochemicals Corporation Ltd IOC- Indian Oil Corporation, RCF- Rashtriya Chemicals & Fertilizers, RPL- Reliance Petrochemicals Ltd; HPCL- Hindustan Petroleum Corporation Ltd; RIL- Reliance Industries Ltd

Source BW compilation



भारतीय निर्यात-आयात बैंक
EXPORT-IMPORT BANK OF INDIA

THE EXPORT FINANCE SOURCE

FINANCIAL HIGHLIGHTS: JANUARY 1988 – MARCH 1989

GENERAL FUND AT YEAR END 31ST MARCH 1989	Rs. (mn)	Change Over 1987* %
— TOTAL ASSETS	14840	13%
of which LOANS, ADVANCES AND BILLS	9347	23%
— OWNED FUNDS	3001	15%
of which RESERVES	796	29%
— BORROWED FUNDS	10301	16%
— GUARANTEES OUTSTANDING	5373	9%
FOR THE PERIOD JANUARY 1988 — MARCH 1989		
— TOTAL INCOME	1402	21%
— NET INCOME (after Interest, Depreciation, Provisions)	284	14%
FUNDED OPERATIONS		
— SANCTIONS	10626	23%
— DISBURSEMENTS	9130	22%
GUARANTEES ISSUED	698	2%

* January 1988 to March 1989 figures have been annualised for the purpose of comparison with January to December 1987

Note: This does not purport to be a full statement of accounts. Summary of audited annual accounts available on request

HEADQUARTERS: BOMBAY: Maker Chambers IV, 8th Floor, 222, Nariman Point, Bombay 400 021.
Phone: 223320 Telex: 011-2779/6224 EXIM IN. Cable: EXIM INDIA. Fax:2022132

REPRESENTATIVE OFFICES IN INDIA:

NEW DELHI: Tower 1, Eighth Floor, Jeevan Bharati Building, 124, Connaught Circus, New Delhi 110 001. Phone 3326375/6254/ 6625 Telex: 031-61417 EXIM IN Cable: EXIM DEL.FAX: 3322758.

CALCUTTA: 5A and 5B Park Plaza, 71, Park Street, Calcutta 700 016. Phone: 292957/2730/3508/ Telex: 021-4285/5271 Cable: EXIM CAL.FAX: 299357.

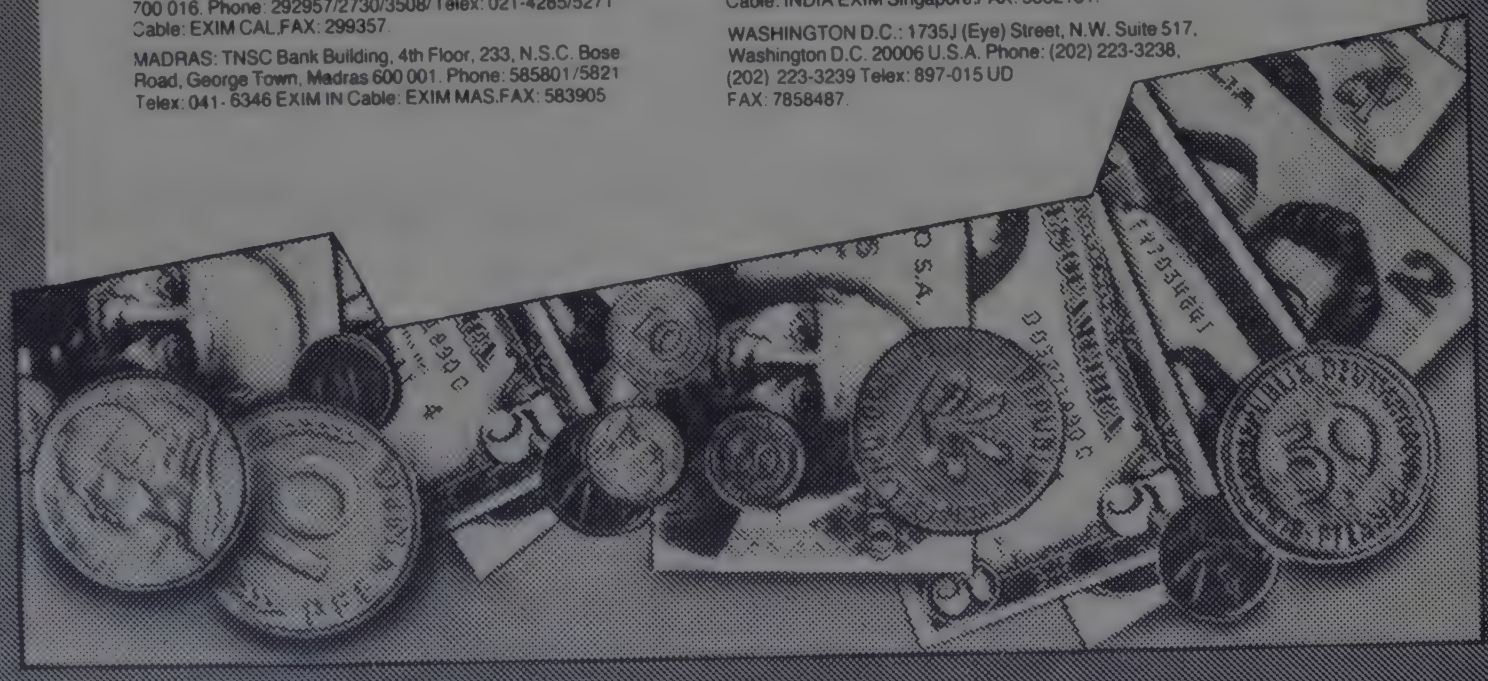
MADRAS: TNSC Bank Building, 4th Floor, 233, N.S.C. Bose Road, George Town, Madras 600 001. Phone: 585801/5821 Telex: 041- 6346 EXIM IN Cable: EXIM MAS.FAX: 583905

REPRESENTATIVE OFFICES OVERSEAS:

ABIDJAN: 01 B.P. 3849 Abidjan 01, Cote d'Ivoire. Phone: 323980 Telex: 22961 EXIMAN CI.FAX: 331757

SINGAPORE: 10, Collyer Quay, # 15-06 Ocean Building, Singapore 0104. Phone: 532-6464 Telex: RS-42882 EXIM RS Cable: INDIA EXIM Singapore.FAX: 5352131.

WASHINGTON D.C.: 1735J (Eye) Street, N.W. Suite 517, Washington D.C. 20006 U.S.A. Phone: (202) 223-3238, (202) 223-3239 Telex: 897-015 UD FAX: 7858487.



sidering the possibility of future market skirmishes in areas like HDPE and PVC, Nanavaty, who also has bright ideas on the export front, could prove invaluable.

So the Ambanis, despite widespread skepticism about their ability to attract and work with professionals, have assembled a stellar cast. Independent experts tend to agree. Says Ganguly, now managing director of ACC: "Reliance has managed to put together a really good team."

Since talent is scarce, a gain for Reliance means a loss for competitors like Nocil, IPCL and Polyolefins Industries Ltd (PIL). Hasmukh Shah of IPCL admits that more talent could be poached from the public sector. Says he: "We are the reservoir. We know some people in IPCL will be approached."

The headhunting game is, however, still to begin in right earnest. It is only when the other industrialists' projects look like becoming a reality that it could turn out to be a truly grand scramble. Most of the industry leaders in the game realise that, and are therefore looking for ways out right now.

"We will build a second and a third line by recruiting bright young boys straight from the best technical institutes," says Hasmukh Shah. "They can be trained in the existing petrochemical facilities. Our boys working in Nagothane (in Maharashtra, where a gas cracker is coming up) have been trained in Nocil and RCF."

Ravikant Ruia of the Essar group, which has bid for a host of downstream projects at Auriya (in Uttar Pradesh, where insiders expect the next gas cracker to be sanctioned) seems to be planning exactly the same strategy: pick up technical graduates and train them up. "Other than that, petrochem is a process industry and has similarities with other process industries. Also the level of automation is quite high. You need a small core team," says he.

To spearhead its petrochem foray, Essar has recruited R.K. Jajoo, formerly managing director of Gujarat Heavy Chemicals. One possible strategy is to lure chemical technologists working in West Asia. In fact, for its oil drilling operations, Essar had recruited people from the US some two years ago, a strategy that Reliance seems to be adopting now.

One advantage for recruiters is that there exists a great deal of similarity between operations in petrochemicals, refineries, fertilisers and chemical plants. "For instance, distillation (for the separation of products) is at the heart of each of these industries. Or, for that matter, the use of catalysts," says Patwardhan.

Yet, there is no doubt that the kind of technical cadre IPCL had managed to build up will not be easily replicated by the new petrochemical entrants. "I have a personal concern in this area. I think that the need for high-quality technical personnel is not easily appreciated. It may not be a big problem translating foreign designs into well-engineered hardware and also ensuring the reliability of equipment. But the crucial test is in running it properly and then improving upon it. IPCL, for instance, has become the envy of even foreigners. What is crucial is the hazard angle," says Ganguly. When he was at the helm, Ganguly had proposed that IPCL set up a centre of technology where one could work with simulators.

The manpower requirements identified by the D.V. Kapur committee on petrochemicals in 1986 is huge. For just polymers (thermoplastics and synthetic rubber) India would require about 5,000 additional managers by 1999. With supply lagging behind demand, people constitute the bottomline in tomorrow's petrochemicals mega-projects.

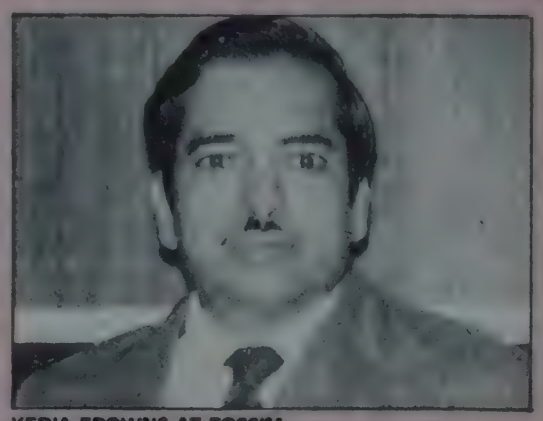
■ *Debashis Basu*

BIG-TIME SCRAP

The New Delhi-based Federation of Associations of Small Industries of India (Fasii) has become smaller. The smouldering discontent over Fasii's call for a two-day Maharashtra bandh on 13 and 14 April, to press for various concessions, has spawned a new offspring — the Federation of Small Industries of Maharashtra (Fossim).

Fossim's charter of demands reads no different from Fasii's, which includes a call for raising the excise-exempt turnover limit to Rs 50 lakhs. This, quite expectedly, begs the question: why Fossim? Says Subodh Kedia, honorary secretary of Fasii: "Fossim has been launched by the agents of bureaucrats, capitalists and politicians, who nurse king-size political ambitions in state politics."

Kedia's insinuations are obviously directed at the main opponent of the bandh, the lesser-light Devkisan Sarda, president of the Organisation of Small and Tiny Industries of Maharashtra (Tima). Sarda's main grouse is that the bandh was organised to malign certain people. Said he: "The bandh is politically orchestrated to bring disrepute to one of the illustrious sons of Maharashtra." The reference is to S.B. Chavan, Union finance minister and former Maharashtra chief minister.



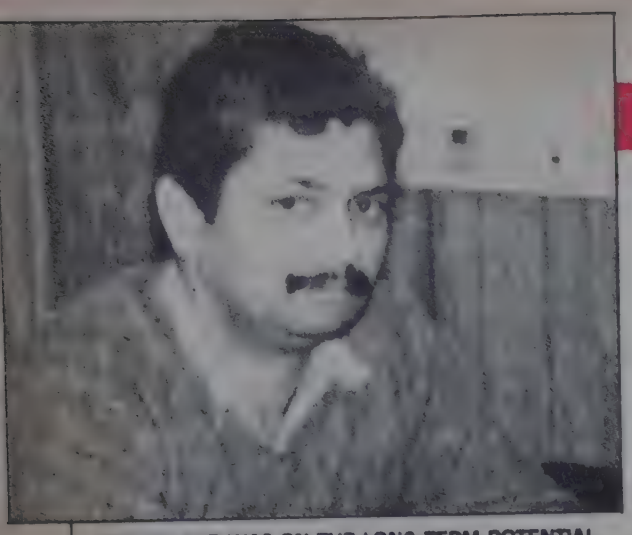
KEDIA FROWNS AT FOSSIM

Regional tune. Sarda has, in fact, been humming the regional tune of late. The split was partly provoked by his perception that Fasii is currently ruled by a coterie of north Indian moneybags.

Political considerations apart, the split appears to have been triggered off by the recent amendments in the eligibility criteria for membership in Fasii. As per the new dispensation, only a small scale entrepreneur can represent a member-association and it is incumbent on the representative that he be a Fasii member in his personal capacity as well.

"These amendments preclude individuals like Sarda, who is not even a small scale unit owner, from gaining a foothold in the federation's executive committee," avers Kedia. According to him, Fossim is destined to be a non-starter. But the whole episode is a reflection of just one thing: the representatives of the small scale sector can be small minded too.

■ *A. H. Ghani*



NIGAM'S EYE WAS ON THE LONG-TERM POTENTIAL

CEBIT FAIR

GOOD SHOW, GOOD BUSINESS

Pairing up for international exhibitions and fairs seems to be the latest method of wooing business. At this year's CeBit Fair at Hanover held in March, it was India's turn to figure as partner country. And it seems to have been of some use. Says H.P. Nanda, chairman (northern region) of the Indo-German Chamber of Commerce: "It was an eye-opener for the international community on Indian capabilities in this field."

Realising the potential, both sides had the proper political patronage lined up. One well-publicised highlight of the inaugural function was the exchange of courtesies and political messages between prime minister Rajiv Gandhi and West German chancellor Helmut Kohl through an intercountry live telecast via satellite. On the spot from the Indian side was a high-level government team, including minister for science and technology K.R. Narayanan, telecom czar Sam Pitroda and Electronics Commission chairman P.S. Deodhar. And in his characteristic style during the keynote address, Sam Pitroda thundered: "India is not just coffee and cashewnuts, but also computers and communications."

Going by statistics, this year's CeBit was one of the biggest information technology shows. Over 3,000 exhibitors from 39 countries jostled for the attention of nearly 5 lakh visitors during the eight-day bash. Of this, around 7,000 visitors were from the Asia-Pacific region.

Contradiction. But though the Indian presence was only too evident, there was some degree of contradiction between the participation and the business garnered. Out of the 79 participants from India, only 29 represented software outfits. It is they, however, who gathered the lion's share of the orders.

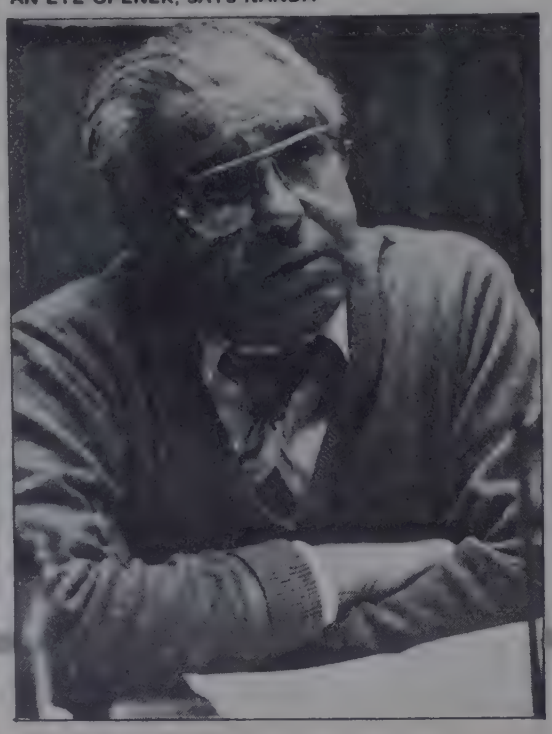
The hardware concerns were primarily government organisations like Indian Telephone Industries, Bharat Electronics, Pitroda's Centre for Development of Telematics (C-DoT), and the Exim Bank. By and large, they drew a blank. In fact, in this segment, probably the only company to contract any significant business was Modi Xerox. That too was an order from an East European country.

The software scenario was entirely different. It is estimated that about Rs 40 crores worth of business was negotiated by Indian companies during the eight days. This was despite the fact that many of the software outfits which participated at the fair are virtually unknown in India. Among them are companies like Cosmic Software, Zoom 16 Software and Index Software.

Delhi-based Softek Pvt. Ltd., which boasts of some of the best credentials in software talent, showed up at Hanover for the first time with a host of newly-developed Unix-based packages. As Unix is predicted to be the operating system of the future in Europe, the company projected its strengths here with an eye on the long-term potential. Says Diwakar Nigam, managing director of Softek: "If you want to make the most out of software, this is the time."

Veterans like Tata Consultancy Services (TCS) and Tata Unisys Ltd. (TUL) were also there, strengthening their already established presence in the European market. TCS definitely used the CeBit opportunity to try and add West Germany to its network. For others like Thermax and Kale Consultants, who already have tieups with German companies, it was an opportunity to expand their market presence. And companies like CMC Ltd., the National Institute of Information Technology (NIIT), Software Research Group and Sonata were confident of bagging high value orders in their own niche areas. Says S. Kataria, senior manager of NIIT, "The indications are that through CeBit we have taken in a little more than we can chew. Such was the response."

AN EYE-OPENER, SAYS NANDA



Lack of coordination. In spite of the general upbeat mood among the Indian software participants, things could have been much better. For one, although individual companies were able to generate a fair amount of business, it was still well below potential. The general impression was that the CeBit experience brought out the same old story of a lack of coordinated marketing of Indian expertise.

Indian software exports to Europe are currently in the range of $20 million. Most of this business is generated by traditional export houses like TCS, TUL, CMC and Thermax. There are also a number of small houses which are engaged in sub-contracting work. Collectively, however, they have just a minuscule piece of the vast European software cake. In 1986, the software and services market was worth $23.5 billion and it is growing at 19% per annum.

So far, Indian software companies have concentrated on the US market. The CeBit fair has probably shown them that they can go other places too. A recent survey found that nearly 90% of the Indian participants have decided to return for the Hanover Fair next year. Hopefully, that will give them a bigger bit of CeBit.

■ *George Skaria*

JOIN PARIS CONVENTION, SAYS ASSOCHAM

After a long silence, the Associated Chambers of Commerce and Industry (Assocham) has come out with its view on whether India should join the Paris convention on patents.

According to Assocham, joining the convention would be in India's long-term interests and in keeping with its commitment to the international economic order. Such a move would also facilitate the inflow of foreign investment and technology and boost India's exports. India should do its best to protect the patent rights of innovators, both at home and abroad, Assocham insists.

Stressing that the rewards for innovation must be balanced by consideration of public interest and development needs, Assocham said it would be perfectly within the powers of the government to stipulate safeguards which may be necessary to protect specific sectoral interests.

PRUNING IMPORTS

The 15% cut in imports imposed on vehicle manufacturers will now be extended to other areas such as electronics, industrial machinery, consumer durables, capital goods and auto components. According to conservative estimates, foreign exchange savings from this import cut will be Rs 200 crores.

As is the case, export figures just refuse to be on par with import figures. In January, monthly exports have crossed the Rs 2,000-crore mark and may touch the annual growth rate figure of 25%. Imports, meanwhile, are pouring in steadily at the growth rate of 25% per annum.

Components and raw materials for auto and electronic industries account for a major chunk of imports, with consumer durables and industrial machinery following suit. However, government spokesmen say that in pruning imports, it will be ensured that capital goods and machinery needed for technology upgradation, modernisation schemes or export-oriented projects will not suffer.

CASHEW EXPORTERS CRY FOUL

The cashew industry has suffered a major setback in the wake of the government decision to withdraw the cash compensatory support (CCS) to value-added cashewnuts in consumer packs.

The cashew exporters point out that this decision has come at a time when Indian cashew was making its presence felt in the global market.

According to industry sources, few others have been able to carve out a niche in the US market, conforming to the standards of the US Foods and Drugs Administration. With the government's new move, the country would lose substantial foreign exchange, it is felt.

FICCI UPBEAT ON ECONOMY

The Federation of Indian Chambers of Commerce and Industry (Ficci) has said that the Indian economy is on a 'sound track', with bright prospects of a good foodgrain crop and a 9%-10% growth in the industrial sector.



MEHTA SEES ECONOMY ON SOUND TRACK

The federation's outgoing president Rohit C. Mehta in a statement maintained that several welcome changes in policies had widened the scope for new investments. This was reflected in the rise in DGTD registrations, higher financial assistance from institutions and a buoyant capital market.

TRADE DEFICIT KEEPS GROWING

Despite a record 28.2% increase in exports during April-February 1988-89, India's trade deficit rose to Rs 7,489.78 crores at end-February. The deficit widened mainly due to the import bill which bloated by 27% in the period.

The deficit in the April-February 1988-89 period is up by Rs 1,548.96 crores over the corresponding period of 1987-88. While the value of exports in the 11 months ended February 1989 touched Rs 17,975.91 crores, the import bill shot up to Rs 25,365.69 crores.

The scope of checking the import bill is very limited as 90% of it is accounted for by items such as non-ferrous metals and machinery for technology upgradation. The only consoling factor, going by weather experts, is that the prospects for crops appear bright due to a normal monsoon. If this works out, earnings from agricultural items will be higher.

FOOD FOR CELEBRATION

The liberalisation of controls on the food processing industries has got a further governmental push.

MRTP/Fera companies can now set up facilities for manufacturing canned fruits and vegetable products, protein and processed foods, vegetable-based weaning food, marine products and cattle feed in category "B" and category "C" backward areas. Earlier, these industries were allowed only in category "A" backward areas.

The new facility has been provided because all food processing industries other than milk food, malted food and flour (which have been reserved for the small sector) have been included in appendix I to the Industries (Development and Regulation) Act, 1951.

A LOAN IS NOT A GIFT

Section 64 of the Income Tax Act 1961, and s.4 of the Wealth Tax Act, 1957, seek to club the income and wealth derived by an individual in the form of a gift from his or her spouse. An interesting question that arises is: what happens if it is not a gift but a loan that is given to the spouse, assuming that the loan is a genuine one which is repaid within a reasonable period of time? In such circumstances, courts have taken the view that the provisions for clubbing income and wealth cannot be applied.



A loan to one's spouse doesn't attract gift tax if it is a genuine loan and not a ploy to evade income and wealth tax

Take the recent decision of the Guwahati high court in *CWT v. N.R. Sirkar* ((1989) 43 Taxman 133). In this case, the assessee lent some money to his wife on different dates in four years. The funds were spent for the construction of a building, but the wife paid back Rs 30,000 of the loan. The outstanding debt as on 31 March 1971 was Rs 1,58,821.

The particulars of the loans were shown in the returns filed by the assessee for the assessment years from 1960-61 to 1962-63, and these were accepted by the revenue department after due enquiry. However, for the assessment year 1963-64, the loan given to the spouse in the relevant period was not recognised as one in view of a tax tribunal order in this connection. The tribunal had held that the house property built with the loan was an asset indirectly transferred by the assessee to his wife and hence it attracted s.4(1)(a)(i) of the Wealth Tax Act, 1957.

The counsel for the assessee argued that the wealth tax authorities, in their assessment orders pertaining to the period from 1960-61 to 1962-63, had recognised that the amounts advanced were loans. The intention of the debtor was to purchase a plot of land and to construct a building to augment her resources. Those intentions of the assessee and his spouse were accepted in the assessment orders for the three years. Further, they had not been set aside. In view of this, the revenue department should not, in all fairness, depart from its earlier findings.

The counsel for the department contended, inter alia, that under the law and practice of this country, the beneficiary of a trust is considered to own the property of the trust. Therefore, the loan made by the assessee was an indirect transfer within the meaning of s.4 of the Wealth Tax Act. According to the revenue department, the assessee was the owner of the building and his spouse was not a debtor.

In the instant case, on 9 September 1959, the spouse of the assessee purchased a plot of land on which a building was constructed. On the same date (9 September), it was shown that the assessee's spouse possessed Rs 28,204, of which Rs 10,489 was paid by her towards the purchase price of the land. The balance of Rs 14,211 was obtained by her as a loan from her husband and paid to the vendor (of the land).

The wife of the assessee asserted that she was the owner of the building that was constructed. The assessee too declared that she was the owner. The wealth tax officer accepted the declaration and a finding was recorded that the wife was the debtor and the assessee the creditor. These conclusions were arrived at after an enquiry.

In view of these facts, the Guwahati high court concluded that the revenue department could not depart from such a finding in a subsequent proceeding. If it did, there should be a valid reason for it. In the instant case, no fresh facts were found from the orders of the authorities by the court.

It held that if a spouse was given a loan or advance, the provisions for the clubbing of income and wealth would not be applicable.

The Calcutta high court also had occasion to consider whether the granting of an interest-free loan attracted the provisions in regard to the clubbing of income and wealth in *C.I.T. v. Mrs. Hasina Begum (Wife) & Others* (legal representatives of the deceased) (158 I.T.R. 215).

In the proceedings for the assessment year 1970-71, the income tax officer included the income from a house property standing in the name of the assessee's wife, Hasina Begum, in the total income of the assessee (since deceased). Two plots of land (on which the property was constructed) were acquired for Rs 28,000 and Rs 14,000 in 1956-57 with the help of loans from her husband.

Hasina Begum filed a disclosure petition under s.271(4-A) of the Income Tax Act, 1961, stating that she had earned an income of Rs 1,50,000 in the course of several years out of agricultural properties, but had offered the same for assessment to income tax in the absence of conclusive evidence acceptable to the tax department. It was also found that the assessee's wife had rental income from the house property in question and the loans were repaid out of her rental income.

Since the assessee's wife had an independent source of income and a part of the consideration for the land on which the house property was constructed came from her, and since she repaid the money advanced by her husband partly from rental income, the conclusion that the husband had advanced her the money as a loan was a possible and reasonable conclusion.

The Calcutta high court held that the provisions for the clubbing of income and wealth were not applicable, since a loan cannot be treated as a gift.

The aforesaid decisions lay down the correct principle of law, but it must be emphasised that the loans should be genuinely given and not merely be a device to avoid taxes.

■ *H.P. Ranina*

The author is a Bombay-based advocate.

For the gracious people

GOLD FLAKE

Quality that's forever

STATUTORY WARNING CIGARETTE SMOKING IS INJURIOUS TO HEALTH

A PUNDIT'S OVERVIEW

Management gurus ought to have pat answers for everything. But this one came to probe and ponder, not pontificate. "Today, there is a movement towards excellence all over the business world. The objective: to be one better than the competition. The question is: what must managers do to attain this goal?" Offering this poser in Calcutta last month was Craig R. Hickman, a Harvard MBA and international management consultant who has also co-authored two bestsellers. (*The Future 500: Creating Tomorrow's Organisations Today* and *Creating Excellence: Managing Corporate Culture, Structure and Change in the New Age.*)

Hickman, who specialises in management retreats, strategic repositioning and corporate culture alignment, says that frightful marketplace competition has led to top managers experiencing sleepless nights. But then this tossing, turning and fretting has enabled the more doughty to perform better. Evidence: in the face of fierce competition, American and Japanese managers have been able to run their businesses more effectively and efficiently than their peers in other countries.

Conceptualising talent. According to Hickman, one reason for the success of the Japanese is that they are very good at conceptualising a vision. "When a Japanese top executive says that this is the vision, everybody gets behind the concept. This is the Japanese key to excellence. But the Americans are different. They pay a lot more attention to corporate culture. This, in broad terms, is the American route to excellence," he explains.

He adds that the one thing to emerge clearly from the American and Japanese experiences is that both the countries have learnt from each other. "The movement for excellence spans the Pacific Ocean."

What about India? Hickman feels that family-owned businesses in India are managed "quite successfully." The introduction of professional management in companies has been the backbone of their success, he says. But the Indian version of professionalism has turned out to be a bit different from the one in vogue abroad. To wit, while American and Japan companies adhere to the 3-S principle (strategy, structure and systems) quite rigidly, the last mentioned principle is very much ignored in India.

Hickman has an explanation: "In India, there is more of an entrepreneurial spirit. But in due course, enterprise and professionalism will be bound to meet. This is when excellence will be achieved."



HICKMAN GIVES INDIAN BUSINESS A PAT ON THE BACK

Takeover supporter. An ardent supporter of the game of corporate takeovers, Hickman believes that the takeover fever that has gripped India of late could lead to growth. However, he warns that the motives behind takeovers need to be examined. "If it brings better management, then it is certainly the best thing that could have happened. But if the motive is for immediate gains, then it is bad."

A final word of praise from Hickman: he reckons that the plus point with Indian managers is that they can think abstractly and are loyal. Because of which the well-run Indian companies are really well run.

DR REDDY'S GROWTH PLANS



REDDY IS THINKING BIG

When he set up shop in 1984, K. Anji Reddy, chairman of the Dr Reddy's group of companies, was regarded as a bit of an upstart and a dreamer. "Bulk drugs were considered a losing proposition then," he says. "People said that only fools would go in for them."

Today, with turnover galloping past Rs 40 crores, Reddy has proved his point, not just in India, but on the international map as well. Dr Reddy's Laboratories Ltd., the flagship company, is now the most important Indian exporter of alpha methyldopa. "We are No.3 in the world," says Reddy. "The top two positions are occupied by the companies who developed the drug in the first place. Obviously, we cannot compete with them."

Similarly, in ibuprofen, group company Cheminor occupies the No.3 slot. "We have been able to wipe out competition from the Japanese, the Italians and the French," says Reddy. "In fact, the US producers now want a duty slapped on imports to protect their market."

Plans afoot. But Reddy is not resting on his laurels. Plans have been drawn up to raise the group's turnover to Rs 100 crores in three years and a substantial 75% of this is expected to come from exports. Not only will a number of new drugs be added to the product range, the group will also be going into fermented products.

A start has already been made. The group commissioned its production facilities for Naproxen (a non-steroidal anti-inflammatory agent) last year and has high hopes for its Minoxidil — a hair-raising solution, also launched in 1988.

Besides, a company styled Compkeys Pvt. Ltd. has been floated with knowhow from Keytronics Inc. of the US to make computer keyboards. Compkeys also manufactures digital blood pressure monitors.

But all this rapid growth has not raised Reddy's blood pressure. He is now serenely focusing on his growth plans. And there are no attempts to drastically diversify either. "If I dilute attention, I am sure we will lose the race," he says. As Reddy's track record shows, he is a man who knows how to win and enjoys doing it.

YELLOW PERIL

The colour sets the tone: the battle of the Yellow Pages promises to be a very dirty fight. In one corner is United Database India (UDI) Pvt. Ltd., the official printers of the Mahanagar Telephone Nigam Ltd.'s (MTNL) directories in Bombay and Delhi. In the other is Sellaids Publications, a Bombay-based outfit which is planning its own version of a classified telephone directory styled *Yellow Pages* 25%.

The difference between the UDI Yellow Pages and its Sellaids clone lies in the 25% figure; an ad in the latter will cost just one-fourth of a similar insertion in the former. And Sellaids proprietor I.K. Chhugani explains that this is possible because his directory will cost a fraction of the UDI version. "I don't have to pay crores in royalty to MTNL," he says. "Besides, I am just bringing out the Yellow Pages which form one-fourth of the UDI-MTNL directory." The result is that printing costs are lower.

No watchdog. The catch lies in that very fact. Sellaids is not printing the whole directory. Besides, unlike in the UDI case where MTNL is in a watchdog role, there is no check on how many of Sellaids' Yellow Pages are actually printed. Chhugani promises to distribute his 25% version free to all telephone subscribers, but he will have a tough time convincing potential advertisers that he is actually going to do so.

Nor is everybody convinced that his claims about the circulation of his other publication — *Selpages Industrial Reporter*, a business and services directory of sorts — are correct. It is contended that it has a "higher circulation than any other industrial magazine in India." But stacks of unsold copies in Chhugani's office and his pointed silence on questions about them tell another story.



CHHUGANI TAKES ON THE UDI-MTNL COMBINE

It is not this claim, however, which has got MTNL and UDI stirred up. What irks them is that Sellaids has been using the familiar Yellow Pages motif of two walking fingers and even visuals of the UDI-MTNL directory in its advertisements. The MTNL has already asked its legal department to check whether use of the motif is actionable. However, it is doubtful that they will get anywhere as internationally neither the name Yellow Pages nor the walking fingers symbol are protected trademarks.

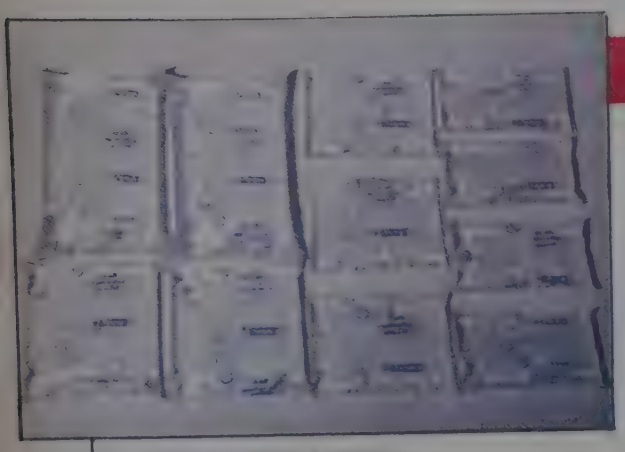
UDI is equally peeved, but on a different score. "Our quarrel is not over the symbol but the photograph of the UDI telephone directory shown in Sellaids' promotional leaflets," says UDI general manager (Bombay) Kapil Talwar. "The intention is clearly to mislead the advertisers."

Chhugani, in turn, has been throwing a host of accusations around. As September (the month both the Yellow Pages are due to be issued) approaches, the battle is likely to get murkier.

BRANDED WATER FOR SALE

In Japan's overcrowded, polluted capital of Tokyo, enterprising firms market oxygen in cans for those who want a slug of fresh air. India has not developed that far, but the Madras-based Titanium Equipment and Anode Manufacturing Co. Ltd., Team for short, has made a beginning by marketing 'pure' water.

Team, which pioneered the desalination plant on Madras' Marina beach (see *BW* 31 Aug-13 Sept. 1988), has begun marketing desalinated pure drinking water which is "absolutely bacteria free" in 350 ml plastic sachets at city stalls. Says the feisty chairman of the Chemfab group, C.H. Krishnamurthi Rao, of which Team is a part: "Aerated drinks are too expensive and do not quench



TEAM'S WATER SACHETS

thirst. Hopefully, people will take to drinking pure water."

Steep price. Priced at 50 paise a sachet, it may appear to be a little on the steep side for water. But Rao, however, defends the high price as more than 60% of the cost is gobbled up by the packaging.

The 50,000 litres per day desalination plant, set up last year as a demonstration-cum-commercial unit, is based on the reverse osmosis process. Rao's chief grouse is that the local authorities for water supply to Madras city, who were supposed to have lifted the entire output of the plant, later reneged on the deal. Thus, Rao decided to market the water commercially. Now hotels and hospitals lift the water from the plant and the railways too have been buying quarter and half-litre sachets.

Team aims to supply around 25,000 sachets a day to the local market. "More than 50% of the overall costs will go only on marketing," adds Rao. Obviously, when one is trying to sell as mundane an item as water as a branded product, it could do with a lot of selling.

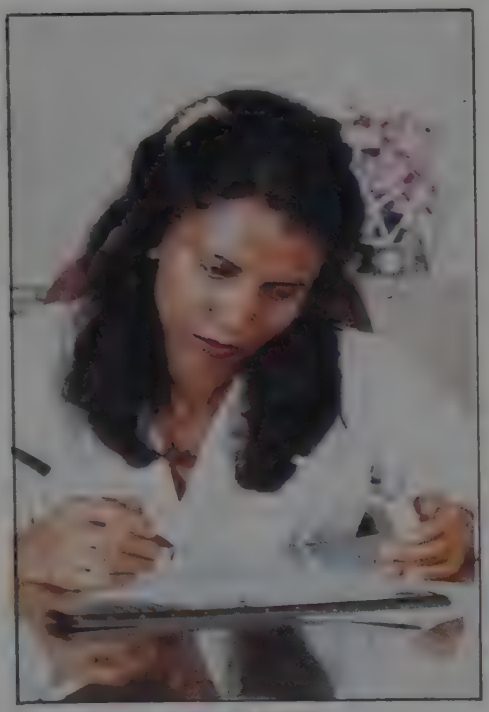
A FRAGRANT SUCCESS

In a profession dominated by men, she stands tall: N.V. Surekha is presumably the only female perfumer in the country. Surekha heads the well-equipped R&D division of the Bangalore-based Padmini Products, one of the top agarbathi producers in the country.

Surekha is where she is because she has proved she has what it takes to be a good perfumer. Still, being born in a family involved in making agarbathis for generations has helped. "But for the support and constant encouragement of my father (Padmini Products' founder and managing partner), I wouldn't have gone far," says Surekha.

Parental guidance. Under her father's guidance Surekha first created a perfume that went into a highly successful agarbathi brand — Padmini Incense. Inspired, she went on to develop perfumes for two other successful brands — Spiritual Guide and Gulistan. The latter, in particular, was a big hit.

Now, she is spreading her wings: her professional energies are concentrated on developing perfumes for the soaps and detergents industry. With reason. "That's where most of the money comes from," says she.



SUREKHA HAS SMELT SUCCESS

A beginning has been made: the wave brand toilet soap recently launched by Mysore Sales International Ltd. uses a perfume created by Surekha. She is also working closely with Nocil (a Mafatlal outfit) to develop some import-substitute aromatic chemicals. "We have already developed six products for use in the manufacture of high-class perfumes and soaps," she says.

Having made her first wave a success, Surekha is sure to make more waves soon.

CHEERY TIMES FOR HMT

When public sector chiefs call in the fourth estate, it usually means only one thing: good news. HMT's chairman and managing director M.R. Naidu has kept a low-profile since the time he took charge some three years ago. So, when he decided to meet the press early in April, it obviously meant that the company's working results for 1988-89 wouldn't be a shocker.

They weren't. Turnover registered a 23% rise over the previous year to touch a record Rs 544 crores. HMT's pre-tax profit was equally impressive, representing a 11.4% return on investment. The company generated Rs 31 crores of internal resources during the year and contributed Rs 90 crores to the national exchequer. "The performance parameters set for the company in the memorandum of understanding with the government have been exceeded," said Naidu, not without a trace of pride. And that, in a highly competitive environment, is nothing to sniff at.

Loss-making lamps. The bulk of the turnover came from the machine tools and watches divisions almost equally: Rs 193 crores from the former and Rs 198 crores from the latter. The rest came from the lamps, the tractors and the agricultural machinery divisions. Naidu was quick to admit that the lamps unit in Hyderabad was continuing to make losses (currently Rs 4-5 crores per annum).

The relatively newer watch units in Srinagar and Ranibagh were also losing money, he said, but he was sanguine about market prospects, given HMT's continued focus on mechanical watches. "We are able to sell whatever we make, so there is no question of our market share coming down. As for smuggled watches, I do not see any prospect of the numbers (estimated at 4 million per year) coming down."

In 1988-89, HMT manufac-

tured 6 million watches, up by one million over the previous year. The company accounts for over 60% of the country's watch production. In a recent move, HMT decided to market ana-digi watches, priced between Rs 900 and Rs 1,000 a piece and produced in collaboration with Citizen of Japan. "We will be test-marketing these watches in Bangalore," said Naidu. Mass production will depend on market response.

In tractor sales, too, HMT did well last year, with the tractor plant operating at about 110% of installed capacity. According to Naidu, the Pinjore (Haryana) tractor capacity is being substantially enhanced and the company also plans to introduce fuel-efficient engines for its tractors (the engine prototype has been sent abroad for testing).

Exports thrust. In another development, HMT (International) Ltd. is setting up a project engineering and consultancy group for executing turnkey projects in India and abroad. The company's aggregate export of products (including HMT products), projects and services in 1988-89 amounted to Rs 52 crores. According to Naidu, a prestigious Rs 16-crore turnkey contract for establishing an advanced training centre in Malaysia is being implemented and the work, in all probability, will be completed on schedule. HMT (International) is aiming to increase exports by opening more offices and branches abroad as well as by entering into countertrade arrangements.

What of HMT's prospects in the coming five years? Naidu says a new corporate plan has been evolved to take the turnover "beyond the Rs 1,200-crore mark by the end of the eighth plan while retaining leadership both in technology and market share in its major product lines." Towards achieving this objective, HMT plans to invest Rs 200 crores over five years; of this, Rs 120-130 crores will come from internal resources. Flexible manufacturing systems, robotics and automation, computer-integrated production systems,



NAIDU HAD SOMETHING TO WRITE HOME ABOUT

and high-tech special purpose and precision machine tools for the defence, aerospace, automotive, railways and other engineering sectors will be the thrust areas.

The company, which some years back shortened its name to just HMT Ltd. from Hindustan Machine Tools to reflect its diversified operations, now appears to be returning to its old moorings: machine tools.

PAPER TIGERS TALK ECOLOGY

With 15 out of the country's 60 agro-based paper mills closed or sick, the embattled survivors are now canvassing for protection against rising input costs. As these mills use agricultural residues instead of wood pulp as raw material, they serve the cause of ecology and therefore deserve this protection, argues Ashok Goel, president of the Indian Agro Paper Mills' Association (IAPMA), whose members account for a quarter of the nation's paper production.

He adds that it would only be fair to differentiate between the primary producers of paper on the basis of production characteristics. "We want a national policy on paper giving distinctive roles to industry subsegments according to raw materials consumed," pleads Goel.

Unfortunate policy. He laments that it is "quite unfortunate" that while the world over scarce forest resources are consumed for the manufacture of high quality speciality paper only, in India this precious raw material is used for the manufacture of ordinary printing, writing and kraft paper. Paradoxically, small mills ,which base their production on indigenously available agro-residues are fully capable of meeting the country's needs — yet there are hardly any incentives for them.

According to Goel, as the latter use jute and cotton waste, bagasse and straw as raw material — as against the consumption of forest resources by large paper mills — it stands to reason that the government should take all possible steps to encourage the growth of agro-based mills. In this context, he welcomed the recent excise exemption ordained for paper having 75% of mesta or jute content.

However, he was most critical of the government's decision allowing imports of paper. "The case for the import of paper is baseless. Adequate capacity exists in the country to meet the growing demand." Rather, Goel argues that the government should reduce the customs duty on imports of caustic soda and other essential inputs because it is these add-ons which are playing havoc with the smaller units' costing plans.

And unless action is taken right now, he warns, the sickness could creep on to become paralytic. To stall this foreboding comes the present forewarning.

(Contributed by P. Swami, Maya Rai Choudhuri, N. Raghavan, Vinay Kamath & Ashoke Laha.)

Videocon
Success Bonds: 4

The Fa

We a
many a



For the Videocon Group, the First Family Bond has been yours—the customer.

It is our commitment to you that has helped us successfully launch a wide range of Television Sets, Washing Machines and a variety of Audio equipment. This same commitment has made us the No.1 T.V. seller in India.

Soon, the Videocon Group will manufacture and market airconditioners, refrigerators, vacuum cleaners and a wide range of home appliances including juicers etc. Also our customers, millions of Videocon families, find modern time more convenient to live in.

It is yours that is the first family at the buyers' end. Take a look at the other side of the coin—**The Videocon Family.**

Videocon International Limited (VIL)
VIL, the flagship company of the Videocon Group, has firmly established itself as the leading manufacturer of television sets. CTVs and Audio Systems, manufactured with the technical specifications of **TOSHIBA CORPORATION of JAPAN,** have become a rage among the consumers.

Videocon Appliances Limited (VAL)
VAL, the Company that marked the Group's diversification from electronic entertainment products to consumer durable products such as

Confidence b

VIDE

ily Bond

part of
ppy family.



programmable Washing Machines. VAL has entered into technical collaboration with **MATSUSHITA ELECTRIC INDUSTRIAL COMPANY LTD., JAPAN**—the owners of the world famous brand name 'NATIONAL'.

It's these companies that together go to make one happy family. **Videocon Family.**

Expansion & Diversification

Videocon International Ltd. now proposes to embark on an expansion plan. This includes an investment of Rs.66 crores to expand the existing capacity for manufacture of key electronic components used in TVs and Audio Systems. Like Resistors, Capacitors, Flyback Transformers, Electronic Tuners. Transformers are import substitutes and are vital components of TV.

The Company also proposes to set up a plant to manufacture both 14" and 20" picture tubes for use in associate concerns and marketing to other TV manufacturers.

Plans also include manufacture of potentiometers, known as volume or tone controls and electronic capacitors for both captive consumption and marketing.

VIDEOCON

Auto Cars Compound, Adalat Road,
Aurangabad 431 005. Maharashtra

CLEA

n performance.

OCON®

SOFTWARE AND HARD RESEARCH

While commercial data-processing products and computer-based aids for business have been grabbing much attention, the quieter and less-illuminated working spaces of scientific laboratories and experimental research centres in India have been ignored for years. But the greatest benefits of using computers may really lie in their unique ability to perform the role of sophisticated lab assistants.

For scientists and research investigators, the use of pictures makes it easier to interpret experimental data and to communicate information than by relying on words alone. It is easy to note that designing an experimental part or a new process on a computer screen is much less expensive, in terms of both time and money, than building a prototype of the part or setting up a manufacturing line just to see if a process will work.

Still, many of the researchers who would like to use 3-D computer graphics are stymied by formidable obstacles. Many automated systems cost too much. Software often is a bottleneck because research requirements vary too widely from lab to lab to permit the use of packaged software.

In addition, many researchers have been upset by the inability of microcomputers to provide computing capability in sophisticated operations that are commonplace in many laboratories. Fortunately, in most cases, such problems can be overcome by using a combination of purchased software with some custom tailoring and a hardware system that has adequate capabilities.

The applications for three-dimensional graphics can be separated into three increasingly sophisticated categories: data display, design and simulation. For any of these applications, the graphics accurately portray a 3-D object or a surface on a flat visual-display terminal or on a hardcopy device. The researcher still can manipulate the image in all three dimensions.

At the same time, all three dimensions are retained in the internal computer representation of the object or surface. With two-dimensional graphics, the image of a 3-D object must first be irreversibly reduced to a 2-D image. No additional manipulation is possible.

For many research organisations that are just beginning to move into computer graphics, data display — both two and three dimensional — is the usual starting point. That is, if a researcher wants to begin using computer graphics in the lab, the automation of data display offers a visible opportunity that is easy to implement.

For example, versatile data display is essential in research areas such as high-energy physics. At the other end of the scale, it is more efficient to analyse even mundane data such as temperatures by the use of graphics, rather than by words alone.

In the area of computer-aided design, the success of such vendors as Computervision, Intergraph and Valid Logic, to name a few, has brought about ready acceptance of 3-D graphics. Here, off-the-shelf design products can satisfy the needs of most researchers. Still, in some highly specialised areas such as turbine design, customised software is needed.

As one might expect, computer simulation, the most sophisticated of the three application areas, is emerging as the most fruitful for the use of 3-D graphics. The combination of new, low-cost hardware with realistic, reliable mathematical models is eliminating the need to run many expensive, time-consuming tests.

One of the best-known research units in the world, the National Aeronautics & Space Administration, has made great progress in using an electronic "wind tunnel" to simulate true-to-life performance data without spending the time and the extra money to build experimental working models.

Energy companies such as the Oil & Natural Gas Commission (ONGC) can simulate drilling and petroleum-deposit patterns to accelerate exploration and to help reach production decisions that will improve the chances of success of expensive operations. Likewise, software from companies such as Rolta can simulate manufacturing situations and help to ensure that equipment investments will yield the anticipated manufacturing capacity.

In a similar manner, technicians in the aerospace industry use graphics simulation to check satellite designs for mechanical interference between rotating antennas.



The research manager has to choose between inappropriate off-the-shelf software and expensive customised products. In recent years a middle alternative has emerged

In many cases, computer simulation may be used to evaluate initial alternatives. Then, based on the simulations, a preferred design emerges, and a physical test confirms that the leading alternative does indeed perform as required. The older and newer approaches combine to deliver the optimum result quickly and economically.

Before users can introduce any of the 3-D data display, design, or simulation applications into their labs, they will have to consider the problems that can arise during implementation. Today, they are more likely to see such problems in software than in hardware. Therefore, it would be appropriate to look at software requirements first.

For putting the technology to work in a lab environment, users have several options. They can:

- Buy an off-the-shelf turnkey system.
- Build a system from components purchased.

■ Integrate an existing system, using such software components as databases, graphics subordinate libraries, and user-interactive management systems.
■ Contract for a professional-services company to develop software to specifications.

EASY IMPLEMENTATION

There are advantages and disadvantages in each of the approaches. Turnkey systems, of course, are the easiest to implement. Unfortunately, very few turnkey systems are designed for R&D use since each researcher's needs are different, and the number of requests for any given system will be small. As mentioned earlier, there are several off-the-shelf products for research that require computer-aided design. Beyond this area, however, the turnkey option rarely exists.

Because they cannot readily obtain off-the-shelf systems, many organisations develop their own research software. In this way, the researcher gets the exact functionality needed, but the approach is expensive, and there are often long waiting periods before the software is available.

In addition, software maintenance and enhancement are difficult, and the codes used often are not portable to different central processing units or graphics hardware. This problem makes the task of upgrading hardware or sharing software with other facilities very difficult.

Here then is the research manager's dilemma: on the one hand, off-the-shelf products cannot handle the requirements. On the other, the building of customised software takes a long time and is expensive.

In recent years, a middle alternative has emerged. Research organisations are using packaged, general-purpose software components as building blocks for the more routine aspects of their software development. Most used among these components are databases, graphics, and user-interaction management functions.

The software developer then writes programs to integrate these modules, provides unique analysis algorithms, and tailors the general-purpose software for specific needs in handling data, graphical inputs and displays, and user-interaction functions. By using such building blocks, a software developer has to write only a fraction of the code that would be required with the "ground-up" alternative. But the end-user still gets the exact functionality needed.

In addition, maintenance is easier than it would be with a "homegrown" system since the components are thoroughly debugged, documented and supported. Moreover, enhancements are simpler because the components are general-purpose in design and they conveniently accommodate added functionality.

If the designer chooses components wisely, the resulting program should be readily transportable to different hardware. Users can then change central processing units, upgrade graphics hardware, and share programs with other facilities. In short, the person who integrates his or her own system based on packaged software components often provides a practical mixture of economy, shortened lead-time and future adaptability.

Still, hiring experts for software development sometimes can provide the desired end-result with less frustration and fewer hidden costs than any of the other alternatives. If the service company uses software components to build the system, the user will have the benefit of a custom-made system at a much lower cost than could be obtained by in-house development. Several of the leading companies that supply graphics hardware — like Rolta, OMC or Godrej — as well as some of the hardware manufacturers, offer both professional services and off-the-shelf products. Some pointers to would-be users:

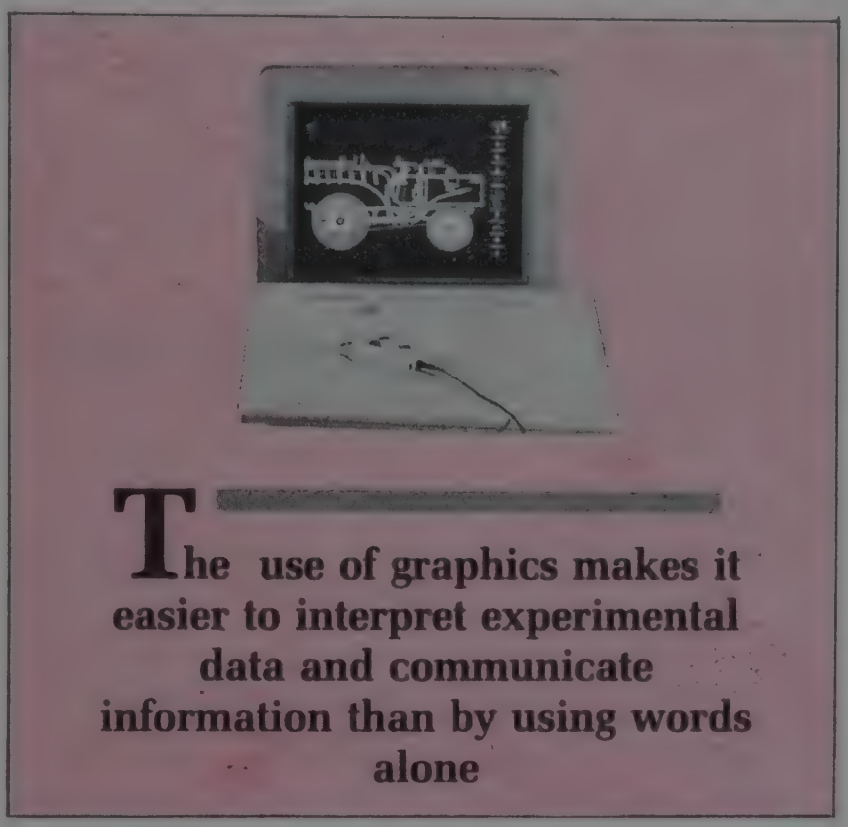
■ First, make sure that the system handles true 3-D images. Many systems collapse 3-D data to a 2-D image, leaving a flat, photographic representation. When the object is a flat surface or a photograph, this effect may be acceptable. But, as with a photograph, it is difficult to change the spatial relationships of objects after the shutter has clicked. Therefore, stick to software that "thinks" in x-y-z coordinates for true 3-D images, rather than a flat, x-y representation of 3-D.

■ Use hardware that is the correct size for an application. Oversized hardware means breaching the budget. Undersizing means slow response time or outright inability to do the job. Laboratory personal computers often are the culprits here.

■ Build or buy software that is independent of the hardware selected to run it on. It is a virtual certainty that the hardware configuration will change before the software becomes obsolete. Users can plan to avoid the trauma that often accompanies changes in central processing units or graphics display units.

■ Buy software and hardware from well-known vendors. Practice value-based purchasing. Low price should be only one criterion.

■ A 3-D system is geometrically more complex than a 2-D system. If a simpler system works, use it. Many of the 2-D turnkey business graphics products have been designed with the technical user in mind.



The use of graphics makes it easier to interpret experimental data and communicate information than by using words alone

■ *T.A. Balasubramanian*

The author is deputy manager (systems), HPCL, Bombay

ELECTROMAGNETIC SHIELDING

A new system for providing shields against electromagnetic interference (EMI) in injection-moulded plastic parts has been developed by General Electric Plastics (GEP) in conjunction with American Cyanamid. GEP claims that the new system is more effective than the use of compounds containing carbon black or metal fibres or flakes and is simpler than post-moulding spray coating or plating. It is already being used for prototyping and the production of parts for several electronic equipment suppliers.

The system is based on the highly effective shielding characteristics of nickel. Graphite fibres coated with nickel are mixed with conventional moulding materials prior to processing. Shielding in moulded parts is highly efficient, the fibres have little detrimental effects on the impact strength and the tensile strength is, in fact, improved. A notable advantage of the filler technology over plating or spraying is that the former provides a higher level of EMI absorption.

PHOTO RETRIEVAL SYSTEM

The Electronics Corporation of India Ltd. (ECIL), Hyderabad, has developed a unique computerised photo retrieval system for security screening. In less than five seconds of feeding the coded information, the photograph of the required person is retrieved from the system's electronic memory and flashed onto a screen for instant verification. ECIL claims that the system has applications in areas like high security zones, defence installations, banks and examination centres.

PROGRAMMED POTATOES

An American chemical engineer, Michael Kozempel of the US department of agriculture's Eastern Regional Research Centre in Philadelphia, (ERRC) has developed a computer programme to increase efficiency in the food processing industry. The programme, called the ERRC Food Process Stimulator, models the process for making instant mashed potato.

"I DON'T NEED A COMPUTER TO TELL ME HOW TO MASH POTATOES!"



The programme, written in Fortran, runs on a personal computer and consists of the routines for processing the potatoes. It analyses every step in the process — from raw potatoes to cooked stuff and dried flakes — and accounts for variables such as the cost of electricity and labour. What is more, the programme makes corrections for imperfections in the real factory — such unequal mixing of potatoes and water in the blancher.

The aim is to increase efficiency. For example, when potatoes contain relatively large quantities of sugar, they tend to turn too brown when fried. A factory can compensate for this either by blanching the potatoes for longer time or by raising the temperature of the water in the blancher.

SYNTHETIC SUPERGRIND FLUID

A high-performance synthetic biostable grinding fluid has been introduced by the Lambson Group, UK, for surface, cylindrical and centreless grinding.

Supergrind NF, as it is called, gives high levels of corrosion protection at low concentrations. Gumming problems often found with machine tools and machine components are supposed to be eliminated.

It is nitrite-free and contains an anti-fungal agent. It can remain clear and clean despite tramp oil contamination and is resistant to bacterial degradation. The product can be used with a wide variety of materials, ferrous and non-ferrous, including copper-based alloys and cast iron.

MICROSCOPIC ROBOT

A team of Japanese scientists is developing a tiny robot that can travel inside the human body and locate and treat diseased tissues. The ultimate aim of Iwad Fujimasa of Tokyo University's Research Centre for Advanced Science and Technology is to produce a robot that can transmit from inside the body its location and findings to scientists. The robot will be less than one millimeter in size and would be capable of travelling through veins and organs. To do this, the smallest available parts — such as motors, gears and screws — will have to be reduced to about one-thousandth their present size.

AEROSOL DISPOSAL PLANT

The first experimental plant which can safely collect most types of aerosol propellants (including aerosols containing chlorofluorocarbons) has been developed in West Germany by the Essen-based waste disposal company, AGR, and the Gelsenkirchen engineering group. The plant has facilities for both recycling and high-temperature incineration.

The Gelsenkirchen plant has a shredder which shreds aerosol cans under conditions that exclude air. The gases and reusable contents of the cans are collected in pressure-resistant vessels, while the cans are introduced into a tinplate recycling process.

SPLIT RUDDER FOR SAFETY AT SEA

Researchers at the Technical University of Gdansk, Poland, are testing a new type of "split" rudder which can reverse the direction of a ship without reversing the engines. They have shown that the rudder improves the manoeuvrability of vessels, enabling them to stop in less than half the time taken to reverse the thrust of the ship's engines.

Manoeuvrability is vital for the safety of ships at sea. Ships need to stop as quickly as possible without deviating from course, and they must turn in as tight a circle as possible. By altering the angle of the two blades of the rudder, all speeds from full ahead to full astern, including zero, can be achieved. The split rudder, when fully developed, could eliminate the need for reverse gears on ships.

NEW DETERGENT ENZYME

A Cornell University scientist, Todd Gusck, has discovered an enzyme that is claimed to break down cellulose and protein stains many times faster than current detergent enzymes.

Called YX, the enzyme is more potent because it remains active at high temperatures and in the presence of alkali bleaching agents and chemicals. The enzyme is 13 times faster than subtilisin, the standard detergent enzyme, and 13 times more efficient than thermolysin, the enzyme used to make the artificial sweetener, aspartame.

YX has potential in the foods and detergents industries and, according to Gusck, his university hopes to solve the problem of its large-scale manufacture through genetic engineering techniques.

RECYCLING ANIMAL FEEDSTUFFS

A new process, evolved in East Germany, enables the recycling of raw materials that are used for the production of technical fats and animal feedstuffs without using any chemical and other substances. Biosludge obtained from a waste water treatment plant is introduced into the inlet of the preliminary treatment stage and floats with the materials contained in the raw waste water.

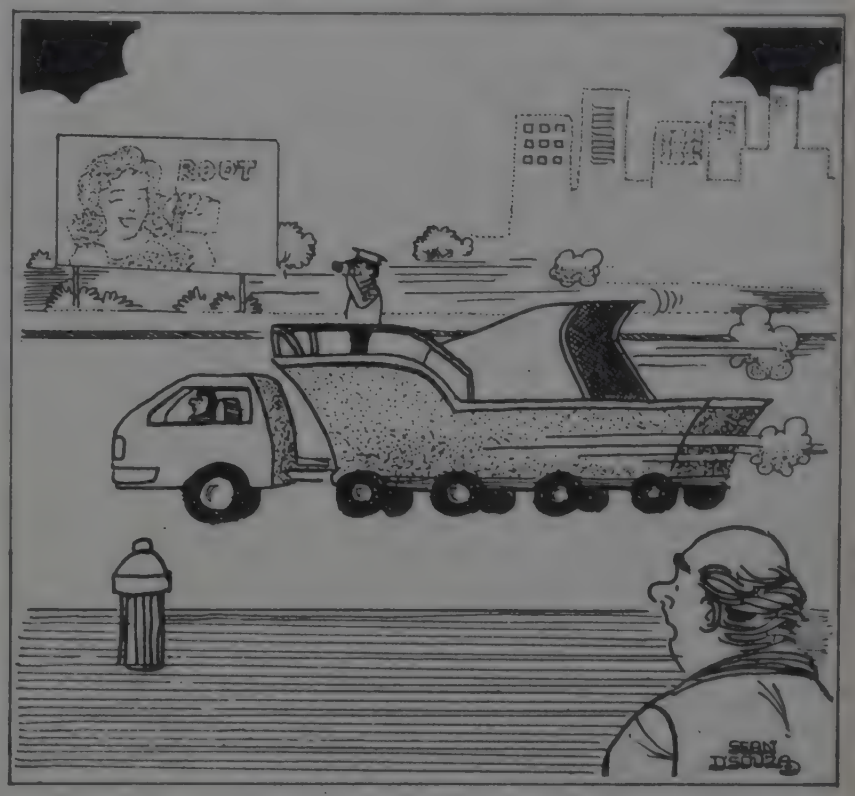
The fatty particles in the raw waste water stabilise the floatation layer and a floatage of materials contained on the raw waste water and the biosludge arises. Thus the biosludge becomes an integral part of the floatage and can be processed as feed.

The floatage is 15% dry matter, the raw protein content of which is 18% and the fatty content 65%.

FUEL SAVINGS IN BIG TRUCKS

A small company, Continuum Dynamics Inc. of Princeton, USA, has devised an aerodynamic drag-reducing device for big trucks. It claims that it can help save about one billion gallons of the estimated 16.5 billion gallons of fuel used annually by registered US tractor-trailer combinations.

The device, called an aerodynamic boat trail, reduces fuel use by eliminating about 10% of the drag on the truck's forward motion as measured in wind tunnel tests. Since road-tyre friction also retards forward motion, engineers estimate that the device reduces overall drag by 6%. The prototype device, a hollow and open rectangular box, fits just within the boundaries of the trailer's rear



panel and juts out about three feet. Air flowing over the top and around the sides of the truck turns inward when it reaches the back, and combines into an aerodynamically smoother boat tail-shaped flow.

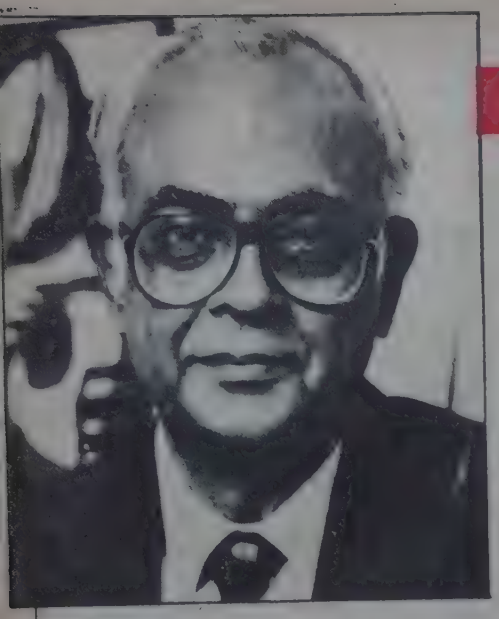
The only drawback is that since each truck trailer manufacturer has several models, each of which has a rear panel design, aerodynamic boat tails may have to be customised.

GROWING PLANTS UNDER WATER

A system for increasing the growth of underwater plants by introducing sunlight to the seabed is being tested by Mitsubishi Heavy Industries (MHI) in cooperation with Shimizu Construction Co. in Japan.

The system consists of a 30-foot high steel buoy with a sunlight collector on top, a floating buoy to channel the sunlight, a Fresnel lens to disperse the light to the seabed and a mooring system. The sunlight collector, which contains a reflecting mirror with a sensor for tracking the sun, is powered by solar panels.

MHI's technology for upright wave-resistant buoys is being used to counter the effects of waves and wind, providing a stable platform for the solar ray collecting and dispersing system. The aim is to let the system make efficient and economical use of sunlight. This is the first Japanese experiment on a technique to transmit sunlight directly under water into the seabed.



EXCELLENCE

The lessons from 10 of India's better-run companies

In this fifth and concluding excerpt from Prof. S.K. Bhattacharyya's book Achieving Managerial Excellence, *the author sums up the lessons to be learnt from the experiences of some of India's better-run companies.*

The first and foremost lesson learnt from looking at managerial excellence in organisations is that there are no abiding and immutable principles which, if followed rigorously, will guarantee success.

It must be understood that while management is perhaps the most essential key input to business success, there are other factors such as marketplace conditions, the rate of technological change, government regulations, international developments in trade and currency, undercurrents in locational environment, and the availability of resources, inputs and raw materials, which can undo very substantively the benefits of excellence in managerial efforts. On the contrary, there are some non-managerial inputs like access to technology, favoured governmental treatment, benefits derived from favourable governmental policies, competitors' mistakes or even fads and fashions in the marketplace, which can lead to success — certainly in the short and medium term — even without managerial excellence.

Without being fatalistic, it is entirely reasonable to accept that factors which are uncontrollable managerially do have a significant impact on the success of companies. The point, however, is that while these might be aberrations in the short and medium term, managerial excellence does ensure organisational success and effectiveness in the long run. Since there have been attempts in the recent past to formulate perceptions of managerial excellence, there is an implicit assumption that such formulations can ensure success in an industrial engineering or natural science sense. It is, therefore, necessary to emphasise that there are no such management principles which will ensure organisational success at all times in all circumstances for all companies. The point is that while non-managerial factors have to be identified and met to the best ability of the organisation, the organisation should continuously strive for managerial excellence because only that will ensure continuing long-term success and effectiveness.

BALANCE & HARMONY

This study of the excellently managed Indian organisations indicates that while none of the 10 companies (Asian Paints, Bajaj Auto, Hindustan Lever, ITC, HMT, Bhel, L&T, ICICI, Reliance and Amul) has achieved a complete balance and harmony in terms of the relationship of the seven managerial elements in the model (see diagram, p.41), judgment can be made that the extent and the degree of such balance and harmony in their case is of a substantially high order. While it is not possible to prove this empirically since measurements of balance and harmony are not susceptible to scientific tests and research, nonetheless, contrasted with the background of other companies which have not performed equally well, it is possible to hold that these 10 organisations exhibit greater harmony and balance among these elements than most others.

The first lesson is simple: there are no management principles which will ensure organisational success at all times, in all circumstances, for all companies

The lesson that one learns from such an understanding is that a periodic evaluation of the seven elements, and the assessment of the balance and harmony between them, either internally or along with external factors, can lead to the identification of problem areas which hinder organisational effectiveness. In other words, the model could be, as an analogy, seen and used as a periodic corporate pathological test, so to say, for determining the extent and degree of organisational effectiveness and the factors which are contributing to or detracting from it.

While no prescribed methodology is currently available, the model should enable organisations to go through a drill or series of tests — so long as there is an adequate understanding of the nature of the seven elements (and the requirements of harmony and balance). It is entirely possible to develop an indepth understanding of the organisation's markets, products, competition, technology, environment — and to identify a set of indicators for testing the organisation's relative effectiveness in relation to each of these seven elements. The author, in his own professional work, has used, during the last 10 years, this model for organisational diagnosis. It appears

that this is a much more effective and rational framework for looking at the organisation in terms of the part (i.e. the seven elements) as also the whole (i.e. the balance and harmony between the seven elements). It can be concluded that, done with knowledge and understanding, such diagnosis — while not matching or equalling the degree of accuracy attainable in natural science — can lead to the development of an organisational health profile or perspective which is wholly appropriate and useful.

DIAGNOSTIC MODEL

Stated differently, the model is not an accurate measurement tool but more of a diagnostic and directional mechanism which can then lead to the identification of areas that need to be explored at much greater depth and intensity. It must be understood that in several areas there might be differences in perceptions about the relative effectiveness of the organisation in relation to an individual (or more than one) element as also about the extent of the harmony and balance of the elements. What is, however, interesting to the author as a practitioner who uses this organisational diagnosis model is that if a seriousness of purpose, prior analysis and homework for identifying the less than satisfactory facets in respect of each element — and openness and objectivity in ascertaining views, data, comments of people inside and outside the organisation (customers, dealers, trade unions, suppliers, etc.) — is brought to bear on the analysis, it is highly beneficial and useful.

Surprisingly, in many cases, there is near unanimity about the strengths of the organisation and areas where it has problems or deficiencies. It is amazing that if this objective analysis is presented in a proper and positive manner, how willing most organisations are to consider the responses to them and even suggest modes and responses to overcome the problem areas (or build up on the strengths) identified. The analogy could well be that of the clinician who, on the basis of a pathological test, is able to present to the patient — in the most positive and helpful manner — the problems relating to his or her health which he or she must confront and respond to. We know from our personal experience that when we see the doctor as a person with the necessary skill, objectivity, and most importantly, concern about our well being, how willing we are to listen to such diagnosis, share with him our own analysis about why such problems might be arising and, most importantly, to accept the areas in which our habits, behaviour and diet must change.

While it is inappropriate to carry on the analogy of the pathological diagnosis and the review of the health profile any further, the substantive frame of reference is valid and useful. Another possible lesson in this connection is not to make such a diagnosis a fetish or a ritual, but to subject oneself to such tests at two stages — namely, if anxieties begin to develop and accumulate over one or more of the seven elements and their impact on organisational effectiveness, and further, if managers in the organisation feel that such factors are substantive in nature and require organisational recognition and responses through a full-fledged or partial diagnosis. There is, however, no doubt also that such an exercise, say every five years, is an extremely useful step to ensure the level, the quality and extent of organisational effectiveness, and to devise responses to problem areas.



It needs to be highlighted that if such organisational introspection exercises are periodically conducted, and there is an element of openness in the process, and provision of opportunities to people — particularly the managers — to contribute their thoughts, comments and suggestions, the results are often very satisfying and beneficial. There are people who believe that the process is often more important than the output in such cases because such self-introspection by itself generates understanding and, therefore, self-initiated changes, which are extremely valuable.

However, beyond the process, it is important that the effort is one of identifying the major problem areas and fashioning the organisational responses for overcoming them. It is here that the problems most often arise because many organisations, having conducted similar studies, shy away from taking steps to implement the findings and responses identified. The reason often is that the members of the top management feel that the changes formulated are so fundamental that they may create instability or anxieties in the organisation. It is felt that they might create organisational ripples that the top management may not be able to contain. It is in this context that a process of thorough thinking in great depth — not only about what is sought to be implemented but how it is to be implemented, how the key persons concerned would respond to such changes, and what are the organisational problems that would arise — is important. The suggestion is not that all findings that arise out of such diagnosis must

Asked why the turnover rate of executives in Hindustan Lever was high, a young manager replied: "It is because our currency is high and the exchange rate is phenomenal"



The outstanding thing about C.H. Choksey's leadership at Asian Paints is that he is like an Olympic relay runner who passes the baton on to a set of trained relay racers who have the same perception, values and training in carrying the baton to new levels of achievement

make the company go through a 'bloodbath' of organisational changes, but there should also be reasoned judgment about how much change to introduce, in which areas, and at what time, and to fashion a mechanism for monitoring organisational reactions in a purposive manner. Given all these assumptions, we can paraphrase Roosevelt and say: "The only change we need to make in our organisational assumptions is that we need not make any changes in our organisation."

Almost all the companies studied have gone through such exercises, without the compulsions of responding to external events or emergencies but as a process of periodic organisational introspection and analysis. While judgments might differ, it seems that in these organisations, the top management have been very perceptive and courageous in subjecting themselves and their organisations to such periodic analysis, and more importantly, acting in a planned and purposive way on many of the conclusions derived from such analysis. It is interesting to note that several of these changes have encompassed — often in stages — significant changes in the areas of strategy, structure and systems, and led to the redefinition of the superordinate goals. In the areas of staff, skills and style, such analyses have led to fresh thinking about the kind of people to be inducted, the opportunities to be provided inside the organisation, the training and development, the redefinition of management values as also sharpening of skills which have become critical for success.

LEADERS & MANAGERS

In each of the 10 organisations studied, there was perceptible impact by the individual leaders concerned who moulded, shaped and fashioned the organisational vision, culture and objectives. C.H. Choksey of Asian Paints, Rahul Bajaj of Bajaj Auto, T. Thomas of Hindustan Lever, Ajit Haksar of ITC, Henning Holck-Larsen of Larsen & Toubro, Dhirubhai Ambani of Reliance, K.M. Mathulla of Hindustan Machine Tools, V. Krishnamurthy of Bhel, H.T. Parekh of ICICI and V. Kurien of Amul are not viewed in their organisations as managers. They are seen as leaders who founded, or came to the organisation and imbued it with a vision and a purpose distinctly their own, evolved a distinctive organisational culture and, most importantly, provided inspiration and motivation for achieving excellence.

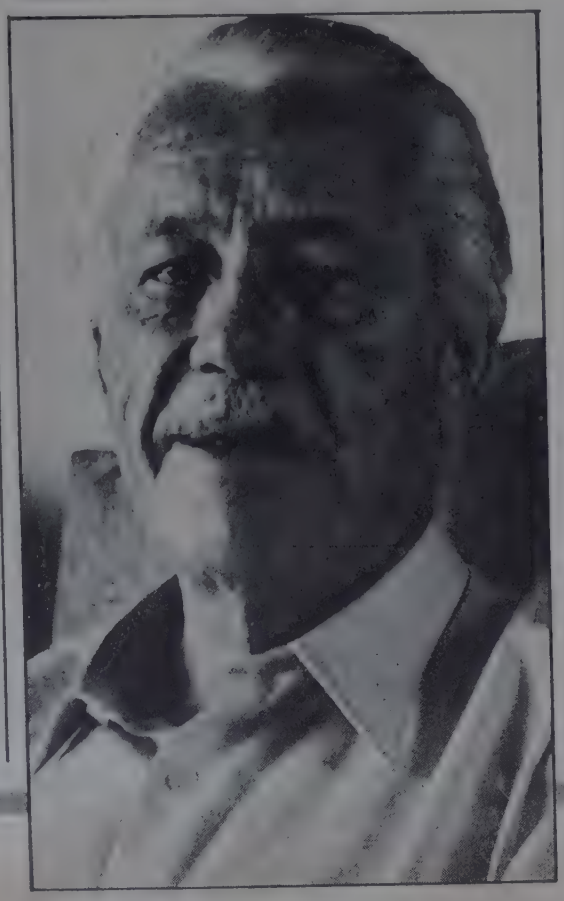
What is more interesting is the question whether the leader was able to leave behind him a set of people who took on the mantle of the leader and pushed the organisation to greater achievement. To have a colossus in the arena is by no means enough if after his departure the land is inhabited by pygmies. In fact history is replete with instances where a leader emerged in an organisation, provided tremendous organisational upsurge, but within a few years of his departure the organisation became a shadow of what it was during the time of the leader. The distinction then must be sought in terms of the institutionalisation of the values of the leader, ensuring that they focus on organisational elements which contribute to strengths rather than on the personal traits of the erstwhile leader leading to a personality cult.

In several of the companies studied, it was found that after the departure of the leader, thanks to his foresight in building up layers of potential leaders who have imbibed the spirit of his excitement, enterprise, innovation and adventure, the organisation does extremely well and is able to respond to any external jolts and crises effectively and purposively. Larsen & Toubro provides an excellent example in this regard. It was said that after the departure of Holck-Larsen, it would crumble, or at least perform at a much lower level of organisational effectiveness. It is a tribute to Holck-Larsen that the performance of the company after his departure was marked by greater heights of achievement and innovation.

It can be said that even now L&T is being subjected to some external jolts but it continues to be one of the most resilient and effective management setups in the country. The climate of calm confidence and willingness in the organisation to face problems and overcome them by managerial action is perhaps the greatest tribute to the leadership qualities of Holck-Larsen.

In a different sense, C.H. Choksey provides us with the example of a person steeped in the tradition of Indian business and trade, who had imbued in his managers a spirit of taking on challenges, which in the initial years of Asian Paints many considered to be acts of bravado or even suicidal. It is a measure of Choksey's leadership that he not

HOLCK-LARSEN LEFT BEHIND A SELF-SUSTAINING COMPANY



only defined for himself the organisational *raison d'etre* of Asian Paints, but also could convince and 'infect' others with his sense of excitement in taking on the challenge of beating the multinationals at their own game through product quality, better customer servicing, product innovation and effective distribution.

The other outstanding thing about Choksey's leadership is that he is like an Olympic relay runner who passes the baton on to a set of trained relay racers who have the same perceptions, values and training in carrying the baton to new levels of achievement. Choksey, as the prime runner who watches the second and the third runners take over, provides by his presence a source of organisational strength to whom one could turn for wisdom, insights and counsel. He is truly outstanding in his capability for sustained organisational development. He has demonstrated that it is entirely possible to inculcate the desired organisational values in the managerial team which succeeds the leader. He has left it to senior managers to take charge of ongoing operations, while ensuring by his counsel and guidance that the organisational culture, tradition and heritage are preserved.

RELIGIOUS SPIRIT

A totally different style of leadership is being provided by V. Kurien, who is willing to take on the invisible opposition who are keen to undo his vision of a well-organised milk farming community enjoying its due rewards by providing plentiful milk to customers. His comrades-in-arms are now willing to take on his mantle and charge into battle. The basic ingredient of Amul's success, however, is the 'self-created' challenge which Kurien has been able to inculcate in the Amul and NDDB community of managers as desirable and worthwhile goals. There is a spirit akin to a religious, rather than a managerial, cult in Amul and NDDB, which believes in fairness, trust and cooperation as answers to unfair and inequitable economic, social and business practices, and in the ability to channelise efforts to the benefits of the lower levels of society.

An organisational variable which is very closely related to culture is the climate in which people in the organisation work. It is possible to identify, though often it is impossible to measure in quantitative terms, the quality of such organisational climate. A positive and satisfying climate leads to greater self-initiating efforts towards achievement while a negative climate detracts from such achievement. Climate is often a function not only of individual styles of working and values but also how people within an organisation work collectively.This includes collaborating and coordinating with each other in carrying out their own tasks in the context of commonly shared goals as also how they share the satisfaction and joy from organisational achievement. In the organisations studied, it was clear that in several instances the organisational climate was a distinctive factor in the attainment of managerial excellence.

At ICICI, pride is derived from the knowledge that the organisation is seen as a development bank which sets the highest standards in dealing with borrowers and in developing forward looking practices

The first element in organisational climate is the sense of individual pride in belonging to the organisation and in being a part of the collective effort which leads to high achievement. This pride acts as a spur and momentum to individual effort while at the same time it ensures a supportive and collaborative climate and style in respect of the other people in the organisation so that the goals are collectively achieved. More specifically it can be said that at least in four of the organisations studied this pride was clearly evident.

ELITISM

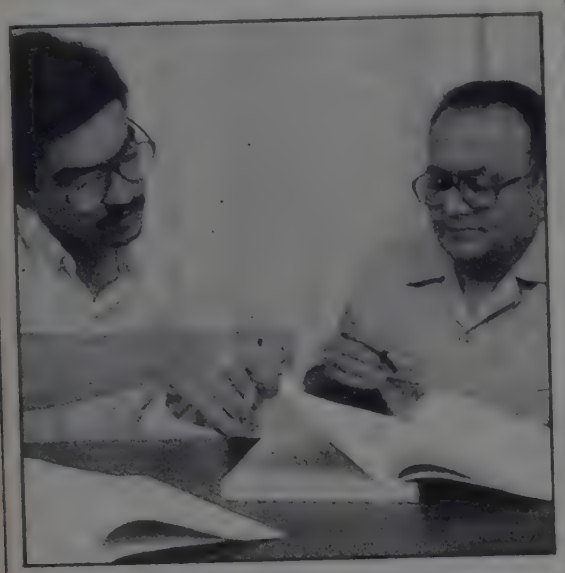
In Hindustan Lever, the great pride was in belonging to an organisation which was often perceived in the outside world as a managerial model of forward looking values, styles, practices and systems. Levers was seen to epitomise an organisation which constantly innovates, experiments and is in the vanguard of development and adoption of forward-looking practices. The fact, almost universally accepted, that Hindustan Lever managers are selected solely on their merit and are rewarded only on the basis of their achievement irrespective of their family, educational or other background — itself carried the imprint of elitism.

The fact that one worked in the company of extremely bright and achievement-oriented managers also generated its own challenge and, therefore, satisfaction. Recognition of one's talent by way of progress in the organisation was invariably seen to be a measure of one's personal performance and capabilities. On being asked as to why the turnover rate among Hindustan Lever managers was higher than most other companies, a young Hindustan Lever manager said that "it is because our currency is high and the exchange rate is phenomenal."

Similarly, in L&T there is a quiet pride in belonging to what is widely seen to be one of the best managed technology-based manufacturing companies in the country with an outstanding track record in terms of product quality. A manager in Larsen & Toubro is often regarded as a technically proficient person who is also an outstanding manager in such areas as marketing and product management, focusing on the achievement of excellence.

In contrast, in ICICI, the pride is derived from the knowledge that in the financial marketplace it is seen to be a development bank which sets the highest standards in appraisal, disbursement, monitoring and most importantly, in developing the most forward looking practices. It is seen to be championing (or

fostering) and developing new activities and objectives which are well ahead of the rest of the financial community. The image of a professional financial manager, who is also open-minded and sympathetic to the problems of the borrower, leads to the acceptance of the ICICI manager as an outstanding professional in the financial scene. The fact that at a young age, an ICICI manager, if he is capable, can



THE GENERATION GAP IS BRIDGED AT ICICI

discuss matters at a professional level with the highest person in the organisation and participate in the decision-making process is seen to be a matter of unique professional opportunity and pride. In contrast, the managers of Amul have the pride of missionaries in overcoming barriers created by entrenched interests. This pride is constantly reinforced by the recognition that Amul managers receive from dairy farmers and producers who see Amul and its managers as performing a unique social service in their cause.

POSITIVIST VALUES

An important element of organisational climate relates to the positivist values which constantly emphasise what is challenging, but possible, and provide sustenance and encouragement in attaining higher levels of achievement. In such a positive climate, the ability to set challenging tasks, to innovate and experiment is greatly encouraged. Achievement by another person is not seen to be a situation which detracts from one's own ability and performance but as a matter of satisfaction and happiness in working with such people. This positive spirit of deriving happiness and satisfaction from one's own, as well as others', achievement leads to the evolution of a climate which positively recognises and rewards outstanding achievement unconnected with such questions as age, seniority, hierarchy and background. It is not that the excellent organisations downplay the distinctive capabilities associated with these factors but merely that they are not seen to be barriers or impediments to recognition of truly worthwhile achievement. For instance, Hindustan Lever constantly encourages the recognition of its outstanding managers. It is not at all unusual to see young managers who are provided challenging managerial opportunities.

The next element in the organisational climate relates to openness of the communication process. While many organisations take pride in proclaiming that the doors of the senior managers are always open, in reality there are unstated ground rules regarding the appropriate boundaries and rules of protocol to be maintained at different levels of management. ICICI represents perhaps the most open culture among all the organisations studied. It is possible in that company for a young manager to put across his analysis, views and recommendations frankly without conceit. It is this ability to deal with people at higher management levels on professional arms-length basis as well as recognition of their contribution, experience and initiative which is the true hallmark of ICICI's management climate.

In Larsen & Toubro, on the other hand, the openness is evident from the ability to jointly discuss performance, in the context of goals, in a positive climate and seek future steps to overcome shortfalls. The ability to face a problem, to ask that the concerned person offers his recommendations and suggestions as to how the problem should be resolved, providing superior manager level personal support, resources and help, characterises L&T's management process. Perhaps the most distinctive feature of such group review — often involving different functions engaged in the attainment of a common task — is the ability to discuss problems without creating personal animosity and bitterness, and the ability to maintain the most warm and collaborative relationship. This is possible because the whole climate emphasises that the superior who reviews performance, has also the professional and managerial obligation to help his subordinate in tackling the problem. This ability to be supportive and collaborative, while resolving problems, is a very positive organisational feature in Larsen & Toubro.

MANAGERIAL FERMENT

One of the most interesting features of several of these managerially excellent companies is the sense of positive restlessness and ferment that permeates their managerial community. There is a constant assessment, both at individual and functional or organisational levels, of their excellent performance, and relating such performance to high performing competitors here and elsewhere.

There is always an unstated urge to go beyond the current level of individual or organisational achievement, even though they may be outstanding compared to others. The whole working environment is marked by a continuing urge to excel. In these organisations, creativity and innovation — which are such important ingredients in their managerial excellence — stem from this managerial ferment. This leads to a visible level of organisational energy and enthusiasm in attacking all management problems with zest, vigour and purpose which is conspicuously absent in some of the average companies which seem to be in perpetual management motion – without really accomplishing anything significant. This is one of the most visible characteristics of these high achieving organisations.

Excerpted from Achieving Managerial Excellence: Insights from Indian Organisations, *by Prof. S.K. Bhattacharyya. Published by Macmillan India Ltd., 2/10 Ansari Road, Daryaganj, New Delhi 110 002. Price: Rs 80 (hard cover).*

At more than 3 MIPS Aurelec's 20 MHz 2AT6-XL surpasses all AT's

Aurelec Data Processing Systems announces the fastest ever **AT**, the **2AT6-XL**, which at 20 MHz outperforms even an **80386** based system running at 16 MHz, or offers performance equivalent to a **3AT6** running at 20 MHz! It is impossible to ignore such outstanding performance, even in a confusing computer market where vendors emphasise price over quality, performance and technical support. The **2AT6-XL** is so powerful that Mainframe terminology is required to describe its power: the **2AT6-XL** offers **3.24 MIPS** (Million Instructions per Second) at an unbeatable price. No wonder **Aurelec** has sold, simply by word of mouth, more than 75 **2AT6-XL** systems even before its formal announcement. The perceptive buyers know that the time saved more than pays for this speedier computer.

The **2AT6-XL** offers you much more computer for just a little more cost. You get **Hercules** and **CGA Graphics, 1.2 MB 5-¼" or 1.44 MB 3.5" Drives, Enhanced 101-key keyboard, LIM-EMS 4.0 and OS/2 support, 3.24 MIPS performance**, and the best price/performance ratio ever offered on a microcomputer. Further, the **2AT6-XL** accompanies you in your growth path with its guaranteed **SUPERLAN** connectivity. **SUPERLAN** is the time proven, high performance multi-user Local Area Network on which hundreds of **Aurelec** computers are running all over the country, at a wide variety of prestigious locations.

The **2AT6-XL** is the ultimate result of the latest in computer technology.

Technical details are very important, but there is also an equally important question of back-up service. When you buy **Aurelec** products, you also buy into the finest computer back-up service network in South India, where **Aurelec** has more branch offices/service centres than any other computer manufacturer.

Aurelec **2AT6-XL: Naturally outstanding**

aurelec
data processing systems

Archana Centre, 29 Mount Road
Madras 600 015
Tel: 418051 Telex: 041-21008 ADPS IN

ZENITH
aurelec



AURELEC DATA PROCESSING SYSTEMS, AUROVILLE: (0413) 25855 • CALICUT: 60936 (PP) • COCHIN: 361960 • COIMBATORE: 22085 • MADRAS: 418051 • MADURAI: 35656 • PONDICHERRY: 24853 • TRICHY: 33208 • DEALERS: INFONET SERVICES, COIMBATORE: 24332 PP • COLT COMPUTER CENTRE (P) LTD., MADRAS: 473666 • THE COMPUTER SHOPPE, MADRAS: 447329 • EASO JOHN & ASSOC., MADRAS: 451236 • MICROHOUSE COMPUTER SYSTEMS, MADRAS: 459129 • PC INDIA, MADRAS: 867055 • ALPHA COMPUTER SYSTEMS, PONDICHERRY: 25177 • LAN COMPUTER MART, TRICHY: 27111 • ZENITH COMPUTERS LTD., BOMBAY: 0306030-4 • AHMEDABAD: 464816 • BANGALORE: 76548 • CALCUTTA: 483561 • HYDERABAD: 66102 • NEW DELHI: 5712756 • PUNE: 436944 • GOA: 7591

A GREAT DEAL

It could be called a quid pro quo with a difference.

Scene I: A Great Shakes shipping company hawks off a 16-year-old bottom to a shipping finance agency.

Scene II: Lo and behold, the ship is back with the same company.

Scene III: The first-ever lease marriage in the Indian shipping industry is consummated. The partners in the unique wedlock are Great Eastern Shipping Co. (GES) and the Shipping Credit & Investment Co. of India (SCICI).

SCICI got into the act last month, when it purchased GES' 'Jag Lata,' a bulk carrier of 1,05,000 dwt (dead weight tonnes) capacity. The price: Rs 12.5 crores. But SCICI had little time for its proud owner act. Taking a quick plunge, it set sail into the uncharted waters of leasing business. Result: 'Jag Lata' was back with its original owner (GES) on a five-year lease, the rentals of which were fixed at Rs 28.13 lakhs per month.

So far so good. But everything did not seem hunky dory. At least that was the impression conveyed by a front-paged story in *The Economic Times* on 17 April. The report, without putting it in so many words, seemed to suggest that the lease agreement was a sellout by SCICI. In other words, Great Eastern's business wizards had pulled off a coup to rake in the moolah by fobbing off a geriatric, weatherbeaten ship to SCICI. The written down value of the ship being Rs 2.5 crores, GES stood to gain a cool Rs 10 crores in profits.

And that's not all. The report pointed out that the lease rent of Rs 28.13 lakhs per month was peanuts compared to the Rs 60 lakhs GES could earn by chartering out the 'Jag Lata.' The moot question then: did SCICI get suckered into the deal by an acknowledged pro in the game?

We are not running a charity. The lease agreement has been worked out in such a way that both the parties are benefited

N. C. Singhal
managing director
SCICI



There are hot denials all around. "We are not running a charity," is the caustic comment of a piqued N.C. Singhal, SCICI's helmsman and managing director. "We know what we are doing. The lease agreement has been worked out in such a way that both the parties are benefited." Agrees Bharat Sheth, vice-president (commercial) of Great Eastern Shipping: "It's a good deal for both of us." Neither of them is, however, willing, to go into the details of the alliance for fear of "adverse publicity."

Singhal, for one, is miffed at the way the press has "played up" the story. Not without reason. Having been entrusted with the task of bailing out sick shipping companies by working out rehabilitation packages and putting the industry on an even keel, leasing can at best be a sideshow.

NATURAL EXTENSION

"Our policy is that of a development bank and not a moneylender. We earn a reasonable margin on our financing and loaning activities. Leasing is going to be a natural extension of these activities. It will play only a significant, and not a major role," asserts Singhal. The figures support the assertion. In 1988-89, the funds allocated for SCICI's leasing operations were just about a tenth of the total sanctions of Rs 311 crores.

Nor is Singhal amused by the suggestion that the deal enables GES to make a killing on a ship whose written down value is a mere Rs 2.5 crores. He says it is wrong to measure profits in terms of the written down value of the ship. "The market value is the real indicator." Singhal estimates the market price of the ship to be around Rs 18 crores while Sheth puts it even higher, at about Rs 20 crores.

If that is so, the obvious question that looms is: why did GES sell the ship at a price much below market levels?

Sheth replies that the main benefit is instant cash. "We can retain the entire sale proceeds since it is a debt-free ship," he says. And cash in the bank means GES "can gear the money for further acquisitions of ships." Besides, a sale-and-leaseback arrangement does not affect the debt-equity ratio. It is an off-balance-sheet funding.

There are other benefits too for GES. The company need not pay capital gains tax on the profits earned on the sale of 'Jag Lata' since these can be set off against the expenses incurred on buying ships (new and second-hand) and against unabsorbed depreciation of past years. GES gains in another way too. As tax expert H.P. Ranina points out, the



BUY IT, SELL IT, LEASE IT & THEN BUY IT AGAIN: GOT IT?

lease rentals paid by GES to SCICI are tax-deductible as a business expense. That should help the company keep its dues to the taxman lower. To top it all, with the government appearing willing to let the shipping industry off its s.115J hook, which prescribes a minimum tax on book profits, GES could be in for a grand cruise.

THE TAX ANGLE

There is something in it for SCICI, too. The monthly lease rental of Rs 28.13 lakhs for five years works out to a smart 15% return on investment. And given a residual life of five years, a fifth of the Rs 12.5 crore purchase price could be written off as depreciation every year, saving SCICI around Rs 1.5 crores in taxes annually.

Singhal, however, pooh-poohs the tax angle. "Where is the tax saving when we are going to pay taxes on the lease rental income?" he asks. But SCICI will at least get the icing on the cake when it sells the ship after the lease period ends. The price could be around Rs 3 crores and no one need be surprised if the buyer is Great Eastern itself.

Both SCICI and GES may have reason to live happily ever after, but not everybody is willing to smile indulgently. Observes V.M. Parekh, managing director of Scindia Steam Navigation Co. Ltd.: "SCICI has helped a company which is already earning bumper profits." (GES' gross profits for the year ended 30 June 1988 totalled Rs 50.39 crores, with profits after tax put at Rs 16.43 crores). Adds Parekh: "SCICI should instead have helped sick units by leasing out the ship to one of them."

Scindia Steam, like many others, is desperately in need of a lifebelt to remain afloat. Even though the shadow of recession is not stalking the industry any more, Scindia and others of its ilk will need a massive infusion of funds if they are to clear their huge carry-forward losses and liabilities. Scindia is still awaiting the rearrangement of its Rs 177 crore debt portfolio by SCICI, which has thus far prepared relief and rehabilitation packages for 11 sick companies.

Parekh is not against the leasing idea *per se*. SCICI, he says, "should buy ships from foreign companies and lease it to sick concerns in India. That way tonnage will be augmented. But by buying and leasing back a ship to cash-rich GES, it has belied our expectations," regrets Parekh.

Singhal denies that sick units have been given the short shrift. He stresses that leasing arrangements can, by and large, be entered into only with financially sound companies. "Leasing is not an over-the-counter medicine," he counters. "We have to be assured of regular returns and proper maintenance of the ship during the lease period." With the freight markets on the upswing, however, it may be possible even for debilitated companies to guarantee substantial returns.

CORRECTIVE STEPS

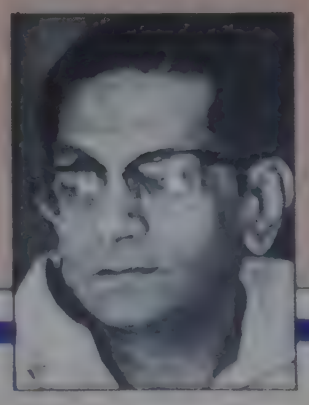
Leasing certainly has a role to play in helping augment India's merchant marine. From a gross registered tonnage (grt) of 6.3 million in 1984-85, the fleet will have shrunk to 5.7 million grt by the end of fiscal 1989-90. Unless corrective steps are taken now, it may be impossible to achieve the sixth plan's 7.5 million grt target even by the end of the eighth plan.

But as things stand, leasing is unlikely to come to the rescue, with only blue-hulled favourites like GES, Essar Shipping and Varun Shipping appearing fit for lease alliances. For the rest, it will be the more humdrum rehab packages that will be in store. Like it or lump it.

■ *Srinivas Vijay*

SCICI has helped a company which is already earning bumper profits. Instead, (it should) have helped sick units by leasing out the ship to one of them

V.M. Parekh
managing director
Scindia Steam Navigation Co. Ltd



NOW GET TWO WORLD LEADERS TO WORK IN YOUR FACTORY

Dunlop India in collaboration with Mitsuboshi of Japan presents

NEW

DUNLOP

DYNAMITZ

POLYESTER CORD VEE BELT



The signature of leadership

New Dunlop Dynamitz Vee Belt is engineered by Dunlop India with state-of-the-art technology from Mitsuboshi of Japan. World-renowned for power transmission technology.

Torture-tested for matchless performance

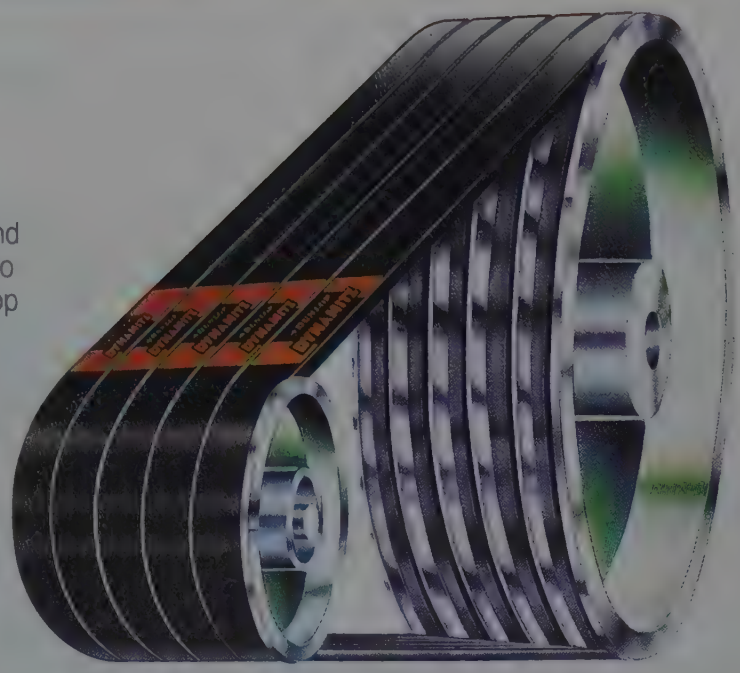
Dunlop Dynamitz has been subjected to extensive field trials as well as rigorous tests under simulated operating conditions in Japan and in Dunlop's most sophisticated Vee Belt Testing Centre, the only one of its kind in the country.

Setting a new pace for the future

Dunlop has set the pace in belting development in India. Equipped with the latest plant and machinery from Japan, it will also storm Indian markets with Dunlop Dynamitz Cut Edge Belts for automotive and specific industrial applications.

The new power pact

With the coming together of the best in the business, Dunlop Dynamitz represents the new-generation Vee Belts that spell more power for your money.



DIL DVB-1

Dunlop is Dunlop. Always ahead.

MORE POWER FOR YOUR MONEY

GACL: WORTH ITS SALT

The size of a company has little to do with the sophistication of its corporate strategy. Need proof? Consider Gujarat Alkalies and Chemicals Limited (GACL). This Rs 100-crore company has cobbled up clever strategies at two levels. The first is to relentlessly go for value addition, and the second is to keep overheads down, especially power costs, which eat up the bulk of its revenues.

GACL's value addition strategy looks fascinating for the simple reason that it starts its production cycle with one of the cheapest and most abundantly available material—common salt. The humble salt is turned into eight high-value chemicals by a process of forward and side linkages (see chart). By an electrolytic process, GACL converts salt into three joint products—caustic soda, chlorine and hydrogen. "My goal is to turn GACL into a diversified company through vertical integration. I am aiming for the maximum utilisation of caustic soda, chlorine and hydrogen," says P.K. Das, managing director, an IAS officer who also holds a PhD from South Carolina University (USA) in political science.

In combination, these three basic products yield several others. Also, by adding a few more elements, the company obtains valuable chemicals out of byproducts that would have otherwise gone down its effluents drain.

STRATEGIES

For instance, hydrogen and chlorine yield hydrochloric acid, while chlorine, hydrogen and methane (obtained from natural gas) lead to chloromethane, and hydrocyanic acid and caustic soda make sodium cyanide. More value addition strategies are in the pipeline. "At present, the gainful use of hydrogen is only 51%. We will very soon make full utilisation of this precious gas. We are also setting up a plant to make super dense soda ash (which will consume caustic soda) that will be targeted at manufacturers of TV picture tubes and special glasses."

But soon, GACL is looking forward to supplementing value with volume, too. "We hold a letter of intent to increase caustic soda production from 400 tonnes per day (tpd) to 500, and we will be implementing this in the near future," says Das. But that will create a peculiar problem. Higher production of caustic soda automatically means the generation of more chlorine and hydrogen in proportionately large volumes, for which there is no ready market, especially in the case of hydrogen.

Lady Luck, however, appears to be on GACL's side. Its major industrial customer of chlorine, the Indian Petrochemicals Corporation Ltd. (IPCL), has just announced a plan to replace its 11-year-old naphtha cracker with one that that will more than double the ethylene capacity. This will mean a corresponding hike in IPCL's capacity to make polyvinyl chloride (PVC), for which it will need more chlorine. The same is the story with hydrogen. Another neighbour, the Gujarat State Fertilizers Co. (GSFC), is doubling its caprolactum production to 50,000 tonnes for which it needs additional hydrogen.

CLEVER INITIATIVES

Judicious value additions apart, GACL has also worked cleverly on the operational front trying to cut costs or hold them down. But for these initiatives, GACL's bottomline would have turned a worrisome red. GACL is the country's largest producer of caustic soda, a product that commands a premium in the market. But compared to other caustic soda producers like Grasim Industries, GACL has to battle with a major problem imposed on it. "Caustic soda manufacturing is power-intensive and the Gujarat Electricity Board (GEB) charges the highest tariff rate in the country, perhaps in the world," rues Das. GACL has to fork out Rs 1.38 per unit (kwh) of electricity as against about 80-90 paise paid by other manufacturers located outside Gujarat.

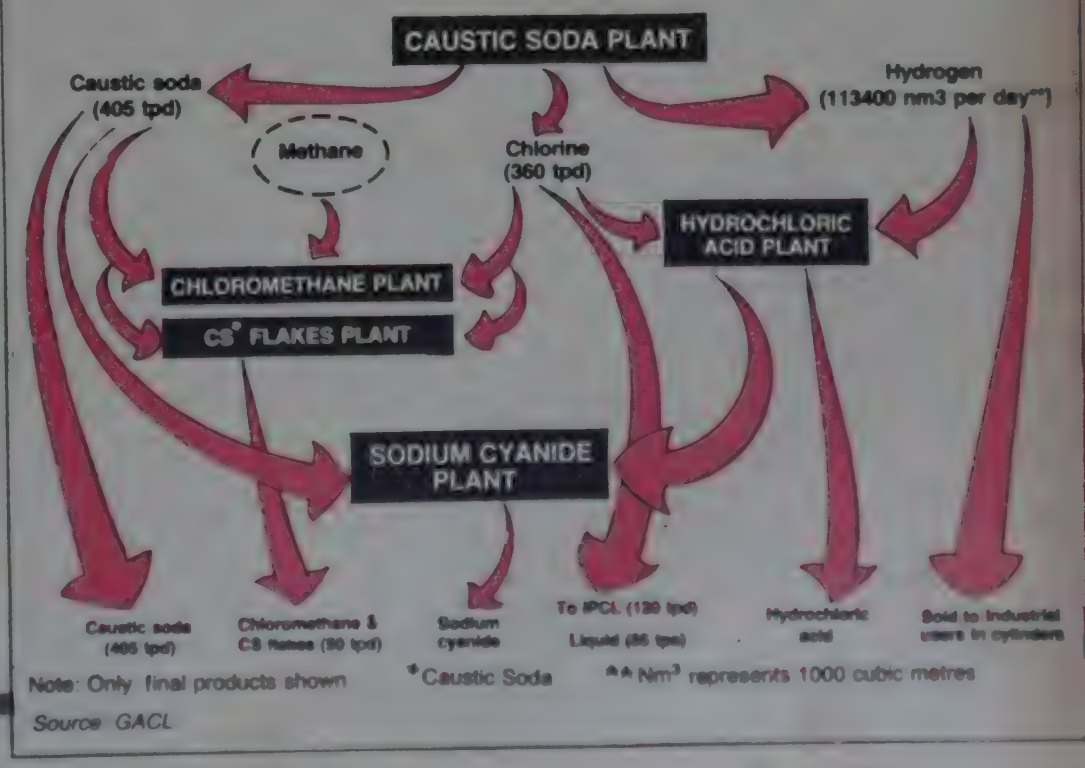
The impact of high power costs is back-breaking. Power takes up 46% of the total revenue and about 89% of total manufactur-

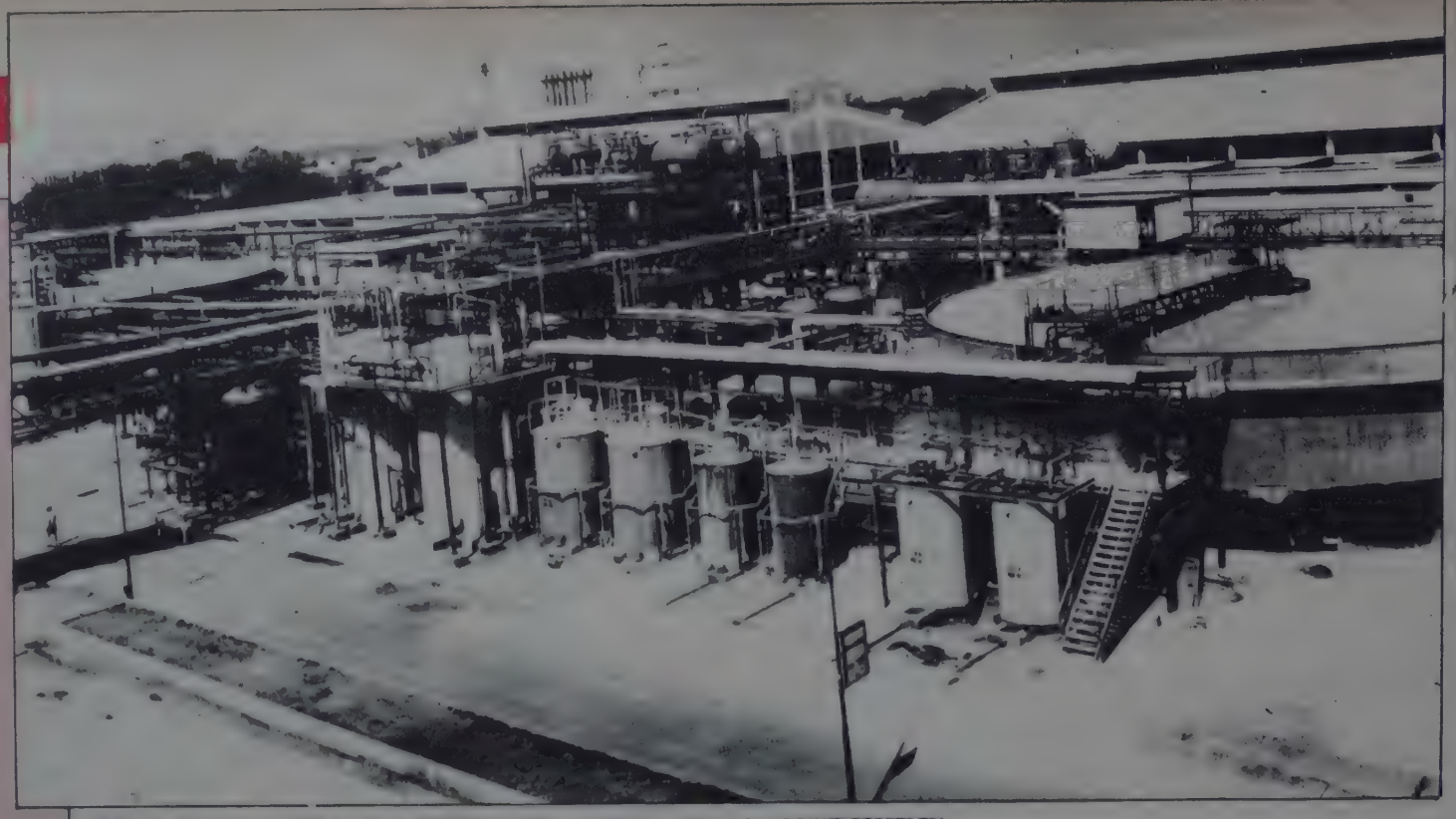


DAS IS DRIVEN BY VALUE & VOLUME

Gujarat Alkalies and Chemicals, a state government-promoted success story, has had a unique record in growing by creating value from a humble raw material: salt

HOW GACL ADDS VALUE





THE HEART OF GACL'S OPERATIONS, THE CAUSTIC SODA - CHLORINE COMPLEX

ing and operating expenses. In 1987-88, GACL's power bill totalled Rs 38.18 crores. If it could get power at the rate Grasim gets in Madhya Pradesh, it could have shaved Rs 14 crores off its bill. And that's no mean sum because GACL made a pretax profit of just Rs 3 crores in 1987-88.

The problem has grown enormously since the early eighties, eating into the fat profits GACL was enjoying till then. It just had to find an answer. "The cornerstone of our strategy, both short and long-term, has been to cut energy cost wherever and however possible," says Das. The strategy has two prongs: new technology and captive power.

In technology, this 15-year-old company has already initiated two rounds of changes in its production process to keep power costs down. The first was in 1984-85, when it replaced graphite anodes with metal anodes (for the electrolysis process), bringing down power consumption per tonne of caustic soda from 3,550 to 3,250 units. Now GACL is shifting from mercury cell to membrane cell technology to further reduce the figure to 2,850 units. This Rs 45 crore project, which will be complete in June this year, will cover 70% of the production capacity. It has a payback period of three years.

"Technology changes can reduce power consumption to some extent, but we still have to do something about the power rate," says Das. So GACL has joined hands with neighbouring units like Petrofils, GSFC and IPCL to set up a 135 Mw gas-based power plant. The plant will be run by the Gujarat Industries Power Co. Ltd. and will supply power that will be at least 25 paise cheaper per unit than the GEB's. GACL will have a 25% stake in the Rs 30-crore equity of this new power company. In return, it will get about 35 Mw of power that would take care of nearly 80% of its requirement.

While cutting down power costs, GACL has also managed to keep other expenses down. Employee costs is one good sample. "GACL has just 700 people on its rolls. It has no establishment other than the complex at Baroda. Its dozens of customers all over the country get their caustic soda from commission agents who are paid on the basis of their turnover," says Das. The result: low fixed overheads. A short payroll has meant that employee cost as a percentage of turnover (1988-89 projection: Rs 100 crores) has been remarkably low: less than 4%. In fact the figure has been consistently coming down from a high 7.3% in 1981-82. For most profitable Bombay-based companies, that figure is above 10%. And all this despite GACL employees getting fatter pay packets than those in IPCL and GSFC.

There are only two problems facing GACL: power and plenty. It is tackling the former by setting up a captive power plant along with IPCL and GSFC. The latter two are also providing a market for GACL's plentiful end-products

CHIEF CULPRITS

Still GACL's bottomline could do with some pepping up. Its ratio of net profit to turnover is a low 3.8%, the result of a consistent fall over the past six years. The chief culprits: rising power, interest and depreciation charges. While interest costs rose from Rs 1.12 crores in 1982-83 to Rs 7.62 crores in 1987-88, depreciation shot up from Rs 2.49 crores to Rs 7.53 crores during the same period.

The last two are interlinked. Both were caused by heavy borrowings to finance asset acquisition. The first led to higher interest charges and the second to higher depreciation. Hopefully, in the three years when the modernisation expenses are recovered, the loan funds and, therefore, interest costs will come down. So within a few years' time, GACL's net profit to turnover should go up substantially.

The stockmarkets certainly don't doubt that. The shares of this Gujarat government-promoted company were quoting over six times the face value of Rs 10 in April.

■ *Debashis Basu*

PHILIPS OPTS TO STAY

or a few days it was apparently on the auction block. The market was agog with rumours that the Dutch multinal, Philips NV, was about to unload its % holding in its Indian subsidiary, Peico ctronics and Electricals Ltd. The regular ders — the Goenkas, Chhabrias, Ambanis d Vijay Mallya — were all reported to be in e race to bag Peico. The stockmarkets felt so : the share price spurted to Rs 28 on 27 ril from Rs 20 just a month ago.

Eventually, it turned out to be a storm in a cup. Says chairman and managing direc- Jan Bergvelt: "Philips will not pull out of country where it has been as long as in dia."

There was, of course, some reason for the mour. The beleaguered Peico, which is ex- cted to notch up a loss of Rs 20 crores in 15 months ending 31 March 1989, has en exploring all avenues to bail itself out. nd one of them was a 'strategic alliance' th an Indian partner. "It is true that we proached the Bajaj and Videocon groups r partnership," admits Bergvelt. "But the gotiations fell through."

Besides, despite all claims that Philips is t losing interest in Peico, the Dutch multitional is very evidently carving out an Inan strategy in which its offspring of 60 ars does not seem to be playing much of a le. A new company, Himachal Futuristic mmunications, has been flagged off. Phips will be taking up a stake in it through its bsidiary PKI of West Germany. And, even newspapers headlined the imminent exit Philips from Peico, another Philips tieup this time with the Videocon group — was nounced Philips will have a 25% holding.

OUGH TERMS SET

Philips may not have been planning to pull t altogether but its 'strategic alliance' heme did envisage parting with half of its % holding. In fact, K. Hubee, vicesident and vice-chairman of the Philips ard of management, was down in India to lemnise the marriage. However, all the ssible partners thought that it was a dis- ss sale and the terms they set were too ugh for Philips to swallow.

A deal could not be worked out even with Bajaj group, with whom Philips has had a g-standing relationship — the two gether hold 84% of the equity in Hind mps. But even this close connection oved barren when it came to the crunch.

Now it will be *status quo* at least until Aust 1990, the deadline Bergvelt has set for mself to turn around the Rs 400 crore turnover (15 months) consumer electronics giant.

A bad business is exactly what the once prosperous Peico has become. The sharp changes in the demand-supply pattern in lighting during the eighties caught Peico napping. In consumer electronics, the public face of Peico, it was too confident that the name itself was enough to see it through. In the process, marketing was given the go-by and upstarts like Videocon raced ahead.

Peico has always had another handicap — labour problems. There has hardly been a period in the past few years when there has not been an agitation or a strike going on at some unit or the other. Currently, its wholly-owned subsidiary in Calcutta — Electric Lamp Manufacturers (India) — is under lockout. It has been so for more than four months and looks beyond salvage. The Salt Lake unit, set up with much fanfare to manufacture colour TVs, has been limping along with the unions refusing to play ball.

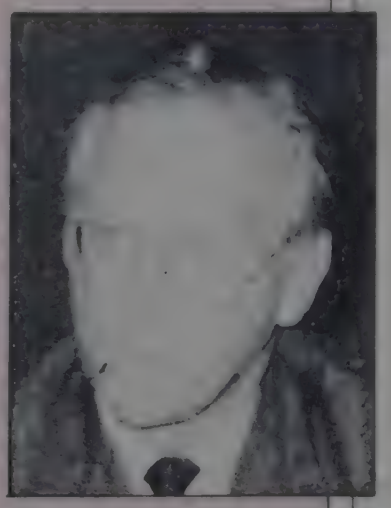
This is a curious state of affairs because Peico is a lavish paymaster by any standards. In 1987, Peico spent Rs 48.55 crores on employee emoluments, more than 12% of its turnover. To get out of its current mess, Peico has to reduce its wage bill, but this is the sort of sacrifice that does not go down well with the workers.

Bergvelt, however, feels that he can get the rank and file to toe the line. "Increments to our administrative staff have been frozen since 1988 and our workforce has accepted the sacrifice in the overall interest of the organisation," says he. Peico has also put through measures to whittle down travel and entertainment expenses. "It is not just salaries, travel and entertainment, but an across-the-board economisation," elaborates Bergvelt.

Even as it is cutting costs, Peico is going in for fire sales to raise resources. It has begun by hawking off its stake in Esab (India), a welding outfit, for Rs 6 crores. Negotiations are on to sell off its posh residential apartments, its housing complex in Mazagaon, Bombay, and its showrooms in prime locations. "All non-core and non-lucrative segments will be hived off in a phased manner," says Bergvelt.

"We are pulling out all the stops and the bottomline in the coming year will change for the better," he adds. "Come mid-1990, we will have proved our mettle and our parent's stand will stand vindicated." Given Bergvelt's track record, he might well lead Peico out of the current darkness and into the light.

■ *A.H. Ghani*



BERGVELT HAS A DEADLINE TO MEET

Philips will retain its stake in Peico at least till August 1989. If there is no turnaround by then, it's back to the auction block

THE FINOLEX PIPES PUBLIC ISSUE.
YOUR OPPORTUNITY TO GET FINOLEX SHARES AT PAR.



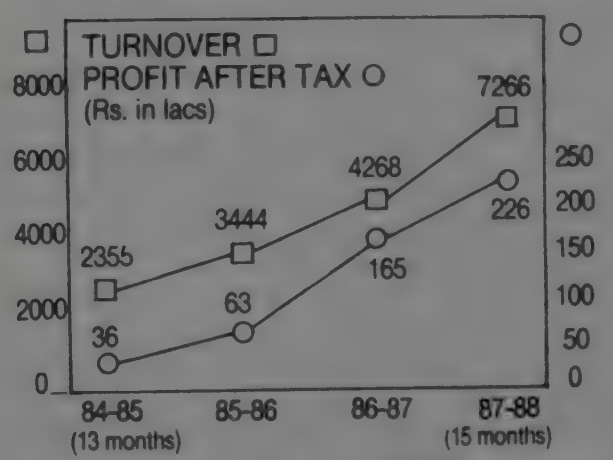


The Finolex tradition continues...

A simultaneous issue of 17,50,000 Equity Shares of Rs.10 each for cash at par aggregating Rs. 175 lacs and 3,50,000—14% Secured Redeemable Convertible Debentures of Rs. 300 each for cash at par aggregating Rs. 1050 lacs. The Equity Shares and Convertible Debentures will be listed at Bombay and Pune Stock Exchanges. The Company intends retaining 15% excess subscription.

COMPANY HIGHLIGHTS

* A **Finolex** Group Company.
* **Leader in the Rigid PVC Pipes Industry.** Strong nationwide marketing network—over 600 dealers and sub-dealers.
* **Outstanding Track Record**
  Between 1984-85 and 1987-88
  168%* Growth in Turnover
  445%* Growth in Profit after Tax
  *(on annualised basis)
  Uninterrupted dividends since inception.
* **Backward Integration programme**—holding a Letter of Intent for manufacture of 1 lac TPA of PVC Resin, in Maharashtra.



PRINCIPAL TERMS OF CONVERTIBLE DEBENTURES

* **Face Value:** Rs. 300 per Debenture.
* **Interest:** 14% per annum payable half yearly.
* **Attractive Conversion at Par:**
  Rs. 150 per Debenture will be converted as follows:
  (i) Rs. 50 per Debenture into 5 Equity Shares of Rs. 10 each at par, 6 months from the date of allotment.
  (ii) Rs. 100 per Debenture into 10 Equity Shares of Rs. 10 each at par, at the end of 2 years from the date of allotment.
* **Redemption:** Non-convertible part of Rs. 150 per Debenture will be redeemed in full at par on the expiry of 9th year from the date of allotment.
* **Fully Secured**

Public Issue of Equity Shares and Convertible Debentures

ISSUE OPENS: 15TH MAY, 1989

Managers to the Issue

The Industrial Credit & Investment Corporation Ltd.
Merchant Banking Division
Bombay 400 020.

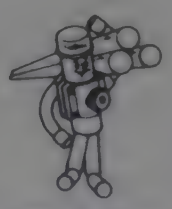
SBI Capital Markets Ltd.
Bombay 400 005

CANBANK Financial Services Ltd
Capital Markets Group
Bombay 400 021

J M Financial & Investment Consultancy Services Ltd
Bombay-400 021

Finolex Pipes Limited

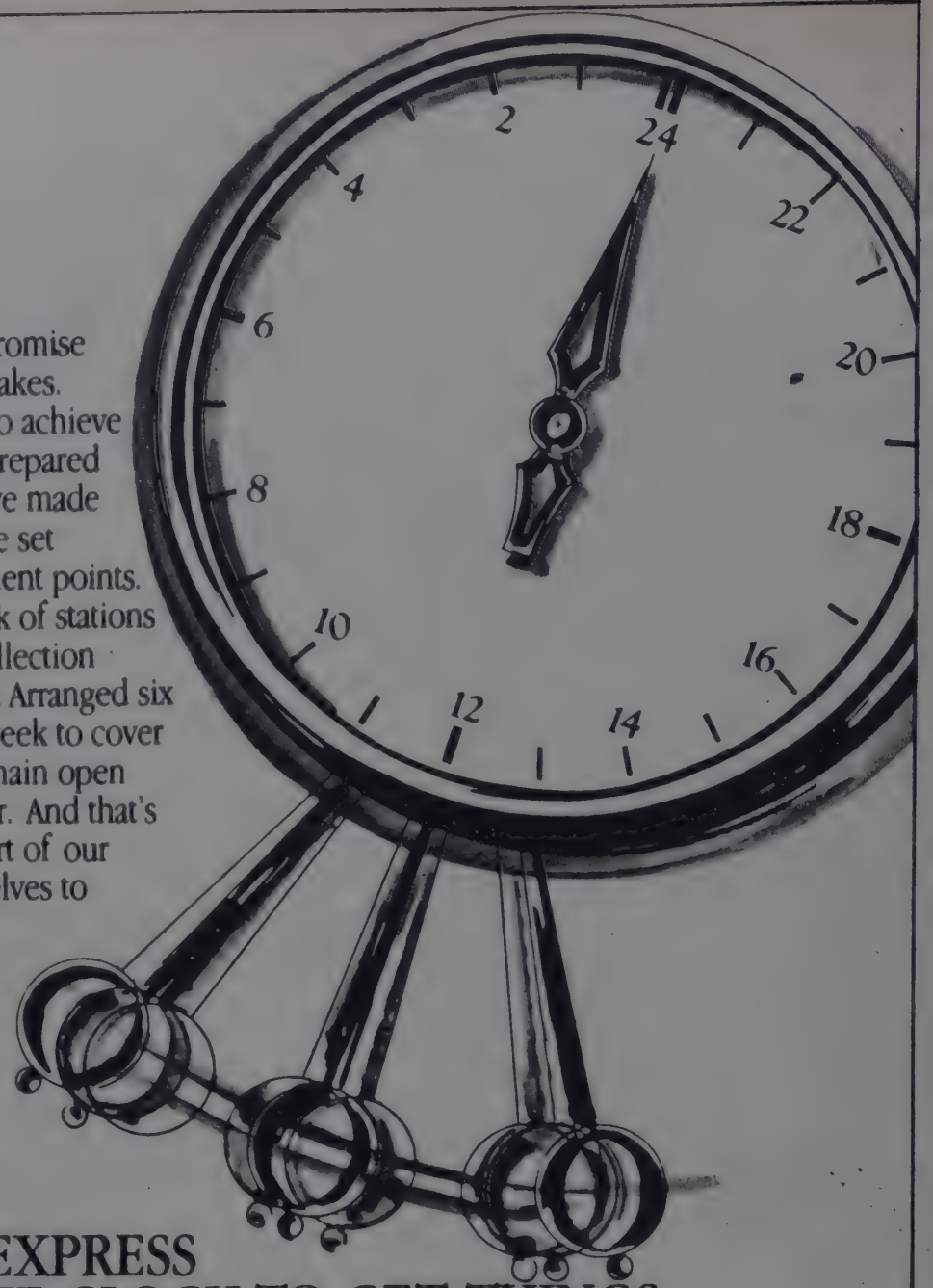
Regd Office: Block D1, Plot No 10, MIDC, Chinchwad, Pune-411 019



FinOlex

Finolex gets people together

PRESSMAN



Delivery in 24 hours. The promise nearly every courier service makes. But it takes more than words to achieve this. At Overnite Express we prepared ourselves thoroughly before we made any promises. For example, we set up not one but four transhipment points. Established the largest network of stations in India with more express collection centers than any other courier. Arranged six on board couriers six days a week to cover the world. And decided to remain open 24 hours a day, 365 days a year. And that's not all. We've geared every part of our network and committed ourselves to speed and reliability.

So the next time you need a courier, call us. We are the fastest courier in the country. And we are ready to live up to your expectations.

AT OVERNITE EXPRESS WE WORK AGAINST THE CLOCK TO GET THINGS RIGHT ON TIME

HERE TODAY. ANYWHERE TOMORROW

Anthem/OE/354

OVERNITE EXPRESS
PRIVATE LIMITED

DOMESTIC & INTERNATIONAL COURIERS.

ON TIME. EVERY TIME.

Regd. Off. : Delhi : 11098-B, East Park Road Ph : 732411, 732412, 732413. Gram : 'FLYINGBIRD', Telex : 031-62611 ONE IN
● Agra-62046 ● Ahmedabad-404738 ● Allahabad-4121 ● Amritsar-41385 ● Bombay-8729915 ● Bhubaneshwar-55966
● Bareilly-75382 ● Bangalore-226348 ● Chandigarh-41015 ● Cuttuck-20411 ● Calcutta-440039 ● Dehradun-23338
● Dhanbad-5265 ● Guwahati-31052 ● Gandhi Dham-20507 ● Imphal-21993 ● Indore-22897 ● Jaipur-66519 ● Jammu
Tawi-43295 ● Kanpur-243555 ● Kota-22031 ● Lucknow-32642 ● Ludhiana-27909 ● Moradabad-28760 ● Madras-459974
● Meerut-72763 ● Nagpur-46235 ● Patna-22215 ● Port Blair-21083 ● Ranchi-27808 ● Silchar-20470 ● Siliguri-26547
● Tatanagar-29655 ● Varanasi-43221 and over 75 more stations.

CHLORIDE AT THE CROSSROADS

The sudden resignation last month of Chloride Group plc's high-profile deputy chairman and chief executive Kent Price (46) raises fresh questions about the future of this multinational corporation and its Indian subsidiary, Chloride Industries Ltd. It is not a secret that the parent company, under Price, has not been able to engineer any dramatic turnaround in the last couple of years. It is a moot point now whether peer pressure forced Price's exit or whether the hardnosed ex-Citibanker decided to "pursue other business opportunities" even while the going was good.

To recap: high-flier Price had been roped in at a time when Chloride Group's fortunes had dipped to an all-time low. In 1986, it had turned in a wafer thin profit before tax of £0.5 million on a consolidated turnover of £310 million (Rs 806 crores). At that time, the strapped-for-cash parent was on a furious disinvestment spree. (1985 sales had been 33% higher at £412 million.) Those were the days of desperation when the Indian company's fate was teetering in the balance amidst rumours that Hawker Siddeley, the US aviation firm, was an interested bidder.

Finally, the group board (of which Jahar Sengupta was then a non-executive member) decided to retain its Indian business. But at the same time, it adroitly raised £8 million by selling off a 24% minority stake in the Singapore-based Chloride Eastern Industries Ltd. (CEIL) which, in turn, owns a majority stake in the Calcutta-headquartered Chloride Industries Ltd. (CIL).

And as a corollary, the now-famous "strategic alliance" between Chloride Group and industrialist S.K. Birla was forged. Although Birla has minority stakes both in CEIL and CIL, the understanding is that he will be given a free hand to develop and consolidate Chloride's south and south-east Asian businesses.

IMPORTANT CENTRE

Birla concedes that "any new concept will take time to find its feet," but claims that the alliance has been working out "extremely well." This is not wholly surprising either, given that group strategists are laying their bets for future growth and profits on the Asian region. As such, a stellar role is automatically envisaged for CIL, which is currently contributing around three-quarters of Chloride Group's international division's profits anyway. (Being a subsidiary, CIL's operating results get merged with the parent's.) Acknowledges Birla: "India is an important centre for Chloride's global battery operations. But the relative importance of south-east Asia and the Middle East will also grow in the future."

And even as Chloride's third world prospects begin to look up, its European operations seem to be closing in on themselves with the inevitability of a black hole. In Europe's highly competitive automotive battery market — where over 40 companies vie for slivers of the pie — Chloride has been making losses for over a decade. Recently, the company has decided to give up its back-to-the-wall fight. Its European battery business is being sold off to the French group CEAC for a net price estimated at upwards of £50 million.

Further, Chloride's battery manufacturing unit on home turf at Dagenham (UK) is also up for sale. Unconfirmed reports from London indicate that CEAC might be buying up this plant as well. All of this comes as a culmination of a strategic reformulation based partly on advice from merchant bankers Kleinwort Benson.

SLUGLINE DISCARDED

Simultaneously, with Price's departure, his "three Es" slugline (energy, electricals, electronics) for the group has been discarded. The organisational structure in effect reverts to the pre-Price setup. There will now be three divisions: electronics, industrial batteries and an omnibus international operations. Both CEIL and CIL will fall under the latter ambit.

Roger Holmes (41), a former Dunlop executive who is Chloride Group's corporate operations director, now takes over as chairman of the international operations division. His lieutenant Ed van Geel, managing director of associate holding company Exide International, will continue on the CEIL and CIL boards and oversee the Asian portfolio.

Given that the strategic alliance of 1987 was essentially impressarioed at the London end by Kent Price, a valid point to consider is whether the Birla-Holmes relationship will warm up as cosily as the Birla-Price one did. A cynical argument could well be that Holmes has little chance of calling the shots with Birla. After all, the depleted Chloride Group as it stands in mid-1989 relies all too heavily on its Indian subsidiary for profits.

Confirms a knowledgeable observer who knows Chloride well and prefers anonymity: "I daresay India emerges much stronger in the new Chloride Group setup, because the parent company depends on India for a large

The first priority at Chloride Industries Ltd. today is modernisation. Diversification comes second

BIRLA LOOMS LARGER IN CHLORIDE





PRICE MADE A SURPRISE EXIT

portion of its profits. The dependence was always there, but now it's even more. As such, Mr Birla's position as the Indian partner stands strengthened."

In its operating results for the 16-month period ended 31 December last, Chloride Industries kept intact its enviable track record of increasing profits year to year for the last 17 years in a row. On annualised sales of Rs 141 crores, pre-tax profit was a handsome Rs 18.2 crores. With minimum borrowings — the debt-equity ratio is only 0.1:1 — and a sound reserves position, CIL's balance sheet presents a picture of financial health.

In recent weeks, CIL has unveiled its long awaited diversification plan: an application for a licence to manufacture 120,000 tonnes per annum of PVC (poly vinyl chloride) resin at Haldia has been lodged with the authorities. The estimated project cost is close to Rs 200 crores. Company managers are keeping their fingers crossed and hope that the clearance will not get bogged down in New Delhi's bureaucratic morass. With none of the other much-vaunted petrochem units in West Bengal having seen the light of day yet, salvation for the state's moribund economy could well come at last from CIL.

A BLUEPRINT

The diversification blueprint has been masterminded by the highly respected technocrat-consultant Subodh Mukherjee. It envisages the manufacture of select, upmarket PVC resin formulations using imported ethylene dichloride (EDC) as an intermediate feedstock. Birla says that knowhow and raw material supply tieups have already been concluded "with a major US company." And although no funding details have been worked out yet, his "first preference" is to make this project a division of CIL. "But should the government so insist, it will be set up as a separate company," he adds.

At the moment, though, Birla says diversification is only his second priority. The first is modernisation. A two-year Rs 35-crore investment is currently underway to upgrade the company's three factories at Shamnagar (near Calcutta), Haldia and Pune. In tandem with modernised facilities and contemporary hardware, a concerted productivity drive has also been launched. Concedes managing director B.D. Bose: "Our productivity levels have plenty of scope for improvement."

Fortunately, the workers' unions have been fully cooperative in this regard, perhaps to reciprocate the management's gesture of promising that there will be no retrenchments but only reduction of manpower through natural wastage. In the last six months or so, capacity utilisation at Shamnagar has upped from 58% to 68%; both Haldia (70% to 76%) and Pune (72% to 82%) have also chipped in with added production. If this tempo can be sustained, it is likely that CIL's profitability in the current financial year will be very buoyant indeed, with this incremental output furnishing the jam on a toast which is already well buttered.

Significantly, the drawing up of the modernisation plans was almost entirely done locally, providing an index as to how well the strategic alliance is working out in practice. Company insiders affirm that far greater powers have been delegated to the CIL board than before.

"In the earlier dispensation, one basically carried out jobs under instructions from London. Today the scenario is different. We have to get moving under our own steam, with London giving us full support. Another change is that home office is now extremely amenable to suggestions emanating from India involving new investments or fresh growth plans," says a well placed source in Exide House.

Wags are already saying that it makes little sense for Chloride Group's international division to be headquartered in faraway London when the future growth arena lies in the Asian circuit and the present profit base lies in India. Singapore offers itself as a possible alternative venue — or, for that matter, Calcutta — should Roger Holmes believe in the 'home is where the money is' philosophy.

In the short to medium term, at least, all eyes in Chloride Group's London hq will be necessarily glued to Calcutta, with silent prayers being offered for even better returns from India. On his part, partner Birla promises to continue the good work: "Depending on our freedom to act as a Fera company and licence availability, we would like CIL to blossom as a major, blue chip, diversified company with a very strong presence in its traditional line of business."

But being a subsidiary, CIL's fortunes are inalienably tied in with those of its parent. And here lies the rub. For, who can rule out a further upsetting of applecarts? After all, the smaller and leaner Chloride Group plc is now also a cash-rich company whose shares (face value: 25 pence) can be picked up at the relatively inexpensive price of 50-60 pence.

Corporate monitors aver that Chloride has quickly emerged as the latest potential takeover target in London. Only last month, marauder T. Boone Pickens stormed the Japanese citadel by picking up a significant (albeit minority) shareholding in a Toyota-affiliated automotive components company. Could not his imagination be possibly caught by prospects of a downstream Asian extension to batteries? Or if not Pickens, will some one else play Sir Lancelot?

■ *Sujoy Gupta*

India emerges much stronger in the new Chloride Group setup, because the parent company depends on its Indian subsidiary for a large portion of its profits. And this means more muscle for S.K. Birla



Take a 'connecting flight' into the future

TVS DU PONT

announces the arrival of high-quality, high-performance connectors

TVS DU PONT: Right on time

TVS DU PONT is a timely response to the Indian electronics industry's rapidly growing demand for a range of reliable, precision-built connectors.

Significantly, this is among the first technical and financial collaborations between Du Pont and an Indian company. All the more reason why TVS DU PONT will be your perfect connection with leading-edge technology.

TVS and DU PONT: Co-pilots with a common mission

TVS, one of India's largest industrial houses, has always striven to meet the exacting needs of its customers. Every member company of the group has achieved recognition through excellence in quality, reliability and service.

DU PONT, one of the world's most diversified manufacturers, is an acknowledged technology leader. It is a major resource for the global electronics industry, with the concept of Total Quality Management as a corporate motto.

Needless to say, TVS DU PONT will give you the best of both these international forces.

Come, share the power of our joint resources.

TVS DU PONT LTD. MADURAI

TVS DUPONT

Now, you have the right connection

R K SWAMY/TVS DUPONT/4018

PITRODA'S

The czar trek is not yet over. Satyen ('Sam') Pitroda, the whizkid who wants to leapfrog India into the 21st century, the prime minister's advisor on technology and, to his critics, the pooh-bah of everything hi-tech, was for a short while down. But he refused to be out. And today he is firmly in the saddle: chairman of the all-powerful telecom commission and secretary of the department of telecommunications (DoT).

But the man who came in from the cold a few years ago is finding himself increasingly in the hot seat these days. He is facing flak from all quarters — from the bureaucrats, who were dead set against him from Day One anyway; from the press and Parliament because of the non-performance of his own pet project, the centre for development of telematics (C-DoT); and, indirectly, even from the prime minister, who seemed to have temporarily snatched another Pitroda baby, the telecom commission, from his grasp in April.

Criticism Pitroda has learnt to live with. It was the threatened loss of the post of chief of the telecom commission which mattered a lot more. The high-power body, which will have a lot of money to play around with come the eighth plan, was Pitroda's brainchild in every way. But last month, in an unexpected development, the government decided that the commission should be headed by the secretary of the department of telecommunications in an ex-officio capacity. A surprised Satya Pal, the incumbent telecom secretary, suddenly found himself in the saddle. Went the comments in the capital's cocktail circuit: "Pitroda's goose is cooked."



There is no question of (the Pitroda bubble) bursting
Sam Pitroda

Sam the sudden, as Pitroda has been dubbed, is, however, a bird of a different feather. Being pipped at the post must obviously have rankled, particularly as he had been shouting from the rooftops that he was the only man for the job. And he didn't stop doing so. "If the chairman of the telecom commission has to be secretary of the department of telecommunications, then I shall accept the post," he said in an interview before his appointment was formally announced. And, predictably, it has happened. On 29 April, Pitroda was appointed secretary of DoT, and the job of being boss of the telecom commission automatically fell into his lap. As consolation prize, Satya Pal was given the post of member (services) of the commission.

But this does not mean that the controversy is over. Pitroda has made a number of powerful enemies in his swashbuckling spell at the helm.

It was a different story just a couple of years ago. At that time it was kudos all the way. "Your report on 36 months of C-DoT is most encouraging," said Rajiv Gandhi at a function on 1 October 1987 at Vigyan Bhavan in New Delhi. "(You) can be an example of how to first set a target and then achieve that goal within the parameters that have been set."

Today, sticking to targets is a forgotten era. The commercial produc-

Nov 1981
Pitroda makes presentation on C-DoT to Indira Gandhi. Meets Rajiv Gandhi too.

Nov 1981-Aug 1984
Pitroda shuttles between US and India to sell his proposal and clear hurdles.

Feb 1984
Union cabinet clears proposal to set up C-DoT.

Aug 1984
C-DoT starts functioning with 30 engineers.

Aug 1985
128-port PBX inaugurated by Ram Niwas Mirdha, minister of state for communications.

CZAR TREK

tion of the electronic private automatic branch exchange (EPABX), one of C-DoT's first priorities, has failed to take off. Of the 48 outfits which were shortlisted for its manufacture using C-DoT technology, only 30 have actually started commercial production. Capacity utilisation is an abysmal 5%. The failure rate is astronomical: the Bombay-based Meltron, for instance, is experiencing about one failure a week in the systems it has manufactured. Pitroda, however, contends that it is more a problem of marketing than technology. "They have to realise they are not selling a black box but a service," he says.

In EPABX, C-DoT has at least something to show. In the 128-port rural automatic exchange (RAX), there is little on the performance sheet but a prototype which was developed by July 1986. An ambitious RAX-a-day installation programme was launched amid much fanfare in April 1988. But in December, it was a penitent Union communications minister Vir Bahadur Singh confessing to Parliament: "The RAX-a-day programme has been delayed due to bad procurement of imported components ... and troubles in circuitry changes and improvements."



RAJIV STANDS BY PITRODA

If Pitroda is on the rack for the RAX failure, what is doing maximum damage is his main automatic exchange (MAX) fiasco. Pitroda admits that there have been some delays. "But it is only of about six months," he says.

That could be for public consumption. It is well known that the C-DoT brass is worried at the pace at which things have been moving. Said a confidential note circulated to the staff by C-DoT executive director G.B. Meemamsi: "We have slipped badly in our targets for establishing bulk production of both 512-port and 16,000-port MAX — there is a delay of more than one year on the milestones for 1988."

Such delays are exactly what Pitroda's critics — and there is a small army of them by now — have been waiting for. He began on the wrong foot but, in some ways, he could not help it: the *khadi* and *gaddi* culture in New Delhi had no place in their scheme of things for a self-made millionaire and a hi-tech high-flier to boot. But he convinced Rajiv Gandhi and his one-time confidant Arun Nehru that he (Pitroda) had the vision. And after that smaller fry like mere ministers or bit-playing bureaucrats did not matter. But now they do. And they are getting their own back.

Not that they have been lying back and enjoying it the past few years. Much of the delay in the formation of the telecom commission can be attributed to their dilatory tactics. The idea of forming the commission was floated by Pitroda himself way back in 1984. Since then it has finally gone through a gruelling series of official-level meetings, discussions by the committee of secretaries and finally the Union cabinet. In the process, the structure and composition of the commission was changed at least half-a-dozen times. But it is a measure of Pitroda's clout that the prop-

March 1986
Prototype of a 512-port main automatic exchange (MAX) released.

June 1987
512-port MAX installed in Delhi for the first time. Pitroda changes nationality back to Indian.

Oct 1987
"Report to the nation" presented on 36 months of C-DoT's functioning.

Jan 1989
Announcement by the government that a telecom commission will be formed.

April 1989
Parliament told that telecom commission's chairman will be the secretary, department of telecom.

osal did successfully run the gauntlet while the much-publicised white paper on public sector undertakings is still hanging fire.

Actually, Pitroda would have run into bigger roadblocks earlier but for a couple of lucky breaks. Before V.B. Singh took over as communication minister, the post was held by persons who, for one reason or the other, did not want to lock horns with Pitroda. When C-DoT was flagged off, the incumbent was V.N. Gadgil, a low-profile, old guard Congressman who was not much perturbed by Pitroda's ambitions. The next man in,Vasant Sathe, was in the saddle for too short a period, and Arjun Singh, his successor, was too astute a politician to rub a perceived Rajiv crony the wrong way.

MINISTERIAL OPPOSITION

But V.B. Singh has been different and has the added advantage of throwing his weight around in an election year. (He matters in Uttar Pradesh, where he was chief minister till the going got too hot for him.) He put his foot down on the appointment of Pitroda as head of the telecom commission when Rajiv Gandhi could ill afford to antagonise the stalwarts in the party. Pitroda could be jettisoned if necessary; after all he would not be fetching any votes.

Actually, Singh had to do something or accept the gradual demise of his ministry. For a long time Pitroda has been calling all the shots with the minister in a figurehead role, perhaps making the occasional apology in Parliament for the lapses of a person he had no control over. With the formation of the telecommunications commission, even the patina of power would be lost to the ministry.

Besides, it was becoming a high-stakes game. "Communication will be the mode of social revolution for tomorrow," says Planning Commission member Abid Hussain. Adds former secretary of the department of electronics K.P.P. Nambiar: "The telecom commission will oversee the massive modernisation programmes in this sector in the nineties."

All this adds up to a lot of moolah. As it is, the eighth plan outlay for this sector is expected to be hiked to Rs 20,000 crores from a seventh plan level of Rs 9,000 crores. And the late nineties should see the kitty being bolstered up even further. Obviously,

"I AM A GREAT

Satyen ('Sam') Pitroda (46), has come a long way since his return to India in 1984. He came in amid acrimony and bureaucratic bickering. Today, the tempo of the acrimony and the backbiting has only been stepped up: Pitroda is facing increasing flak from the bureaucracy and the press over the non-performance of C-DoT, his US business links and the controversy over the telecom commission.

Over the years, he has changed much, adapted to Indian realities. In the process, a different Pitroda has emerged, a Pitroda who is a better manipulator and a survivor. The high-priest of technology spoke to BusinessWorld *in an exclusive interview. Excerpts:*

■ On the factors responsible for his success.

Basically I attribute it to consistent hard work. When I was in college, I used to work from 10 am to 8 pm. Even now, I work from 8 am to 8 pm, skipping both breakfast and lunch. Basically, I enjoy my work. And power to me is the ability to do things rather than doling out political patronage. I don't deal with the political system at all. However, in India, where everything is political, if during the course of my work I come in touch with politicians, I can't help it.

■ On the charge that he is strong in conceptualisation but weak in implementation, thus leaving projects unfinished.

Basically I am a strategist. I am an entrepreneur first and a technocrat second. At this point of my life, I concentrate on doing the right things as opposed to doing things right. It (the charge) would probably relate to my work. First at C-DoT, then C-DAC, the technology missions, etc. It (the work) is not half-done. But I move from one idea and work to another.

■ On how important risk-taking has been in his career.

It has been all-important. I am basically a great gambler. Ever since I decided on the gamble to go abroad for my studies, I have rolled the dice every now and then — in starting Wescom, Rockwell (his two US companies), in returning to India, etc.

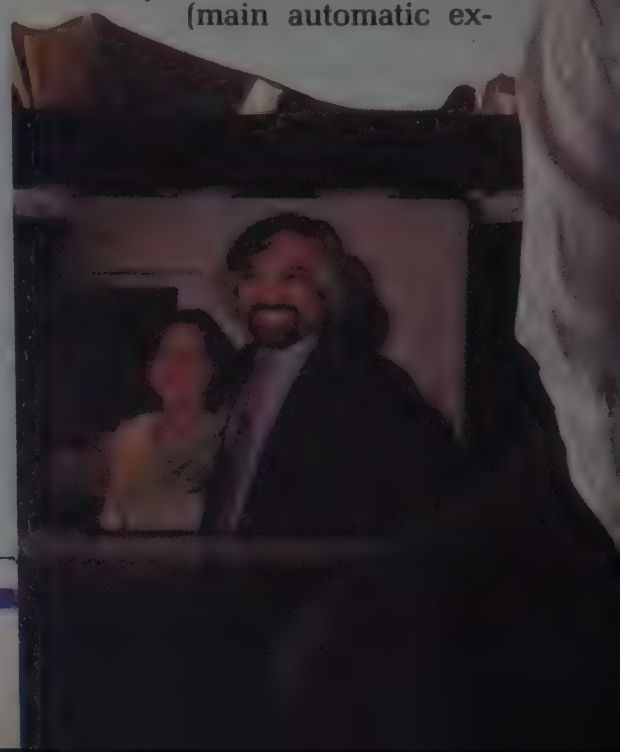
■ On when and how he realised the potential of telecom in India.

For a person like me who — believe it or not — had never used a telephone in all my 22 years of life before I went to the US, it is quite surprising that I have got myself involved in telecom. However, it was in July 1978, when I started editing a special supplement called "Telecom in developing countries," that I really got immersed in the subject.

■ On the fact that his targets are unrealistically fixed and that C-DoT is behind schedule in its programmes.

Yes, there have been some delays in the MAX (main automatic ex-

If the chairman of the telecom commission has to be secretary of the department of telecommunications (DoT), then I shall accept the post (of DoT secretary)



SICALLY
MBLER"

change) programme. But, as I have said elsewhere, it is only of about six months. But what kind of environment is this where if you don't deliver on the exact date, everybody is ready to hang you. The delays last year have primarily been because of hardware cleanup problems. And maybe C-Dotians are getting a little burnt out. Targets are deliberately fixed a little early to motivate the young engineers and stretch them more.

■ On whether he foresaw the kind of opposition to him and his work and the reason for it.

No I did not foresee this kind of opposition or criticism before coming down to India. You see, when I was abroad, during my initial days, I was romancing and then got immersed with my work and family. So I had no opportunity to interact with the bureaucracy here. It has been increasing in the last few months because of the telecom commission. There is a lot of cleanup to be done. My basic problem is that those who criticise me do not come out in the open. I've tried to keep quiet but it is not possible. I am by nature vocal.

■ On how the lack of top-level people has hampered growth in the telecom sector.

Yes, that has been a problem. We have an excellent line-up at the middle level. What we need is to give the senior fellows young management graduates to assist them so that a second line of leadership is built up. We also have some good people at the top, but for them it is nearly time to retire and they are all busy looking for retirement benefits.

■ On how work gets hampered in technical ministries with ministers who have no understanding of things technical.

Yes, it has been a problem area, but technocrat ministers may not be the right solution. The minister does not have to get into the implementation of the policies. We technocrats can take care of that. What is required is good teamwork.

■ On his greatest achievement after returning to India.

Putting together a team of 500 youngsters has been my biggest challenge.

■ On how long the so-called Pitroda bubble can last.

What is a bubble after all? It is hollow. You think I am, (considering) the kind of work that I am putting in and the wide variety of things I do. A hollow bubble cannot perform. So there is no question of it bursting.

■ On whether he will head the telecom commission.

If the chairman of the telecom commission has to be secretary of the department of telecommunications (DoT), then I shall accept the post (of DoT secretary).



no politician or bureaucrat worth his salt would like to cut connections with such largesse.

Singh did try to work out a system to share power. Realising that the commission was inevitable, he was rooting for a telecom board which, he suggested, could function in tandem. But when the commission was steamrolled through him, he realised that there was only one way he could play the game. The result: the proposed coronation of Satya Pal.

ON THE OFFENSIVE

Pitroda, of course, did not take things lying down. True to his image he went on the offensive. Just as the implications of the commission's structure became clear, Pitroda called a press conference in New Delhi to announce that C-DoT would hand over the 16,000-port MAX in October this year. A few days later there was a similar press bash in Calcutta. Confesses Pitroda: "I decided to come out of hiding and self-exile."

At the same time, he sent in his star batsmen to open the second innings. It was reportedly pointed out to Rajiv Gandhi that Satya Pal has a none-too-impressive track record. The Planning Commission also contributed a rumble: the telecom body would not work, the planners are reported to have said, without Pitroda in the driving seat. He has his supporters, of course. Says Abid Hussain: "Pitroda is the best bet. I have put my faith in him."

This time, however, faith did not have to move mountains. Very quietly, Pitroda was reanointed. The czar's trek may have met with a minor accident but the repair job was completed in a few days.

Not that Pitroda and C-DoT do not have problems. They do, and some of them are serious. As Meemamsi had pointed out in his letter: "We have 12 months to make or mar C-DoT." The 12 months are running out.

One of the problems with C-DoT and Pitroda is that the targets set are very often impossible. "I am an entrepreneur first and a technocrat later," says Pitroda. "Such targets motivate people much more." But Meemamsi candidly points out that it is difficult to motivate people at C-DoT as there is very little creative development work.

Paradise on earth...



and the setting for a world class conference centre



Kashmir... there's no place on earth like it. And there's no place like the Sher-i-Kashmir International Conference Centre to make things happen... businesswise or otherwise. The Sher-i-Kashmir International Conference Centre meets every requirement of high-powered conventions — of 10 to 1000 delegates. Plenary Hall with simultaneous translation in 5 languages. Conference Rooms. Banquet Hall. Projection Room for films, audio visual and video viewing. Business Centre offering Fax, Copier, Computers and Secretarial help. Trained staff to orchestrate complex business meets with computer controlled efficiency. For leisure and pleasure... Golfing, Fishing, Trekking, River Rafting, Mountaineering, Water Skiing, Heli-skiing, Sightseeing, Shopping. Or just relaxing in a room with a view. Yes, make the most of Kashmir — the playground of the world... now also a world class conference venue.

where business is always a pleasure!

Sher-i-Kashmir
INTERNATIONAL CONFERENCE CENTRE

Member ICCA

For assistance and reservations or a free colour brochure contact: Sales & Marketing Division, Sher-i-Kashmir International Conference Centre
Chashma Shahi, Srinagar-190 001, Kashmir (India) Tel: 75631, 79601 Telex: 375-318 SKCC IN Grams: KASHCONFER Fax: 79720

HEADSTART/SKICC/2001

There have been efforts to inject a greater degree of motivation. C-DoT has just undergone a major organisational revamp. As part of this, it is moving away from the public sector ethos — a rewards policy, in line with private sector incentive schemes, has been introduced from January this year.

C-DoT has also started going commercial. It has to; despite Pitroda's clout, the centre has been chronically short of funds. Among the commercial projects proposed are the development of an electronic mail system worth Rs 1 crore for the Indian Air Force, a Rs 2 crore flight information system for the National Airport Authority, a Rs 10 crore railway telecom network and the Rs 12 crore Army Static Communication network. All these projects are currently being negotiated.

If things click, C-DoT should see it through. But Pitroda is operating in a much bigger ballpark. In fact, a short while ago he had told a newspaper that his work in C-DoT was over. He has since soft-pedalled on the statement but there is probably some truth in it. Says Pitroda: "Basically, I am a strategist... I move from one idea and work to another."

MANIFOLD ACTIVITIES

His role in C-DoT is but one aspect of Pitroda's manifold activities in this country (not to speak of his companies in the US). Aside from the telecom commission, Pitroda is the vice-chairman of the C-DAC (centre for development of advanced computing).

In his telecom czar manifestation, Pitroda has been seeking a say in areas which would appear beyond his ambit. For instance, he has since 1987 been advocating the split up of Indian Telephone Industries (ITI) into smaller, more manageable companies. This has been opposed tooth and nail by the bureaucrats.

The presence of such a strong lobby of bureaucrats has also resulted in a strange metamorphosis in Pitroda's attitude. As a product of the US, he should be the first advocate of multinational companies. But the bureaucrats have been pushing for MNC knowhow in preference to the stuff Pitroda has been developing. The result is that he is today the MNC's biggest critic. But the delays in the telecom programme may give his opponents another handle to press for imports again.

Pitroda's ambitions do not end with telecommunications. He is wearing a lot of other hats at the moment which could raise him to even greater heights. Currently, he is advisor to the five technology missions each of which would probably require full-time attention. They have not been doing any too well. The targets, in familiar Pitroda style, seem to be unattainable. The rural drinking water programme seeks to provide potable water supply to about 1 lakh problem villages by 1990. That's in hot water. The immunisation programme, which envisages the provision of the delivery system and the infrastructure to immunise 20 million pregnant women and 20 million children every year, needs a massive injection of enthusiasm. The literacy mission is not worth writing about. The telecom mission seems to have developed a few cross-connections. Only in oilseeds are things going on schedule.



HUSSAIN BACKS PITRODA

Pitroda, thus, appears to have more on his plate than it is humanly possible to handle. Will the czar come tumbling down to earth very soon? Will the bubble burst?

"What is a bubble after all?" asks Pitroda. "It is hollow. You think I am, (considering) the kind of work I am putting in and the wide variety of things I do. A hollow bubble cannot perform. So there is no question of bursting."

No, Pitroda is not about to replicate his meteoric rise with an equally meteoric descent. The czar of high technology has, as he puts it, "rolled the dice every now and then." Each gamble has won. Today, the stakes are higher, the game the same. The outcome is also likely to follow suit. The best epitaph posterity can probably give him would be: "Play it again Sam."

■ *George Skaria*

The telecom commission will oversee the massive modernisation programmes in this sector in the nineties

K.P.P. Nambiar

former secretary
department of electronics



EASY TO FILE
EASIER TO FIND



If you're tired of retrieving lost files and misplaced papers at work, it's time you got yourself a Godrej Filing System. It keeps your papers in order; so you can get at them immediately. Without wasting time and effort.

The Godrej Filing System is specially designed for your convenience. The fully enclosed drawers prevent your papers from falling out. A Godrej unique full extension slide ensures effortless movement of loaded drawers and easy access to the last file. And to keep your confidential papers safe, there's a special Godrej lock with a 'push and lock' action.

An automated airless electrostatic painting process and a special Alkyd-amino paint give it an attractive, scratch-resistant finish. And because of its superior quality, you can rest assured it will look good-as-new, for years.

You have a choice of two filing systems. **VISAFILE®** – with interconnected file folders to accommodate individual files. And **EEZEEFILE®** – for separate files which are suspended directly from the sides of the drawer.

You can have an organised office routine today. Boost efficiency by buying Godrej Instafiles and Filing Systems.

Godrej®

INSTAFILE AND FILING SYSTEMS.

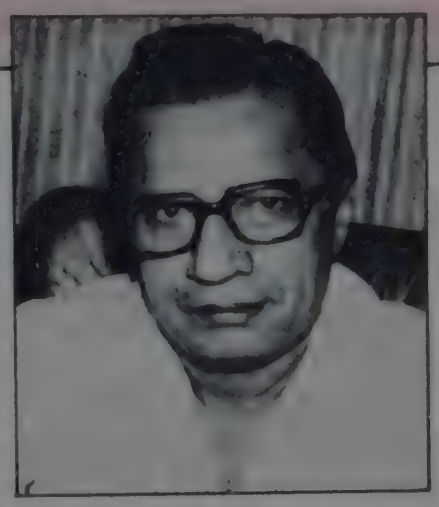
File it. You are sure to find it.

ULKA-11717

A LEASE ON SANITY

Four years after this columnist had commented on the depreciation anomalies disclosed in the balance-sheets of leasing companies, the Institute of Chartered Accountants has now come out with a guidance note on accounting for leases. But this too is an interim measure. The delay on the part of the Institute in laying down firm standards is difficult to understand. After all, international accounting standards on the subject have been in existence for quite some time; there is no need to reinvent the wheel. All that is needed is perhaps some adaptation for local conditions. But the lobbying efforts of the leasing industry against the formulation of standards which will permit the investor or depositor to get a true and fair picture of profitability, assets and liabilities have stalled standardisation to date.

In spite of its shortcomings, the guidance note on accounting for leases should bring sanity into the method of providing for depreciation



The guidance note, issued as an interim measure, is of course an improvement over the existing free-for-all. Auditors of leasing companies will be required to comment on the extent to which the accounting policies conform to the guidance note and the impact of non-conformance on profitability. This note applies to all leases written after 1 April 1989. In other words, no retrospective effect is being given to the proposals. Had this been done, the impact on the balance-sheets of at least some of the companies would have been devastating enough to shake the confidence of investors and depositors.

The issue involved is really not all that difficult to understand, even for a layman. The concept behind providing depreciation on fixed assets in the books of a company is that the asset should be completely written off during its normal useful life. In fact, the depreciation provisions are needed for the eventual replacement of the asset.

What matters in financial leases is the useful life of the leased asset for the owner/lessor. A typical financial lease transaction provides for the lessee to pay a certain minimum number of rentals; sufficient to recoup the lessor's investment in the asset and interest thereon, and an option to the lessee to continue the lease on the payment of a nominal amount.

Given this structuring of a typical financial lease, it is evident that an asset's "useful life" for a lessor is the primary period of the lease. This is because once the primary period has expired and the lessee chooses to continue the lease by paying nominal rentals, there is no significant income to the lessor. The income accrues only during the primary period and, given the basic concept underlying the provision of depreciation, the leased asset should be fully written off during the primary period. But many leasing companies are not doing so. The result is that, at the end of the primary period of the lease, these companies will have an asset on their books which does not produce any income, but will still have to be depreciated.The guidance note should now correct this anomaly.

The second issue relating to the provision of depreciation by leasing companies involves another accounting principle, namely that of matching income and expenditure for an accounting period. This becomes important as many of the leases are either front-loaded, (i.e. larger rental payments are made in the earlier years), or back-ended (the reverse). The depreciation to be provided on a leased asset in a given year should, therefore, reflect the rentals receivable during that accounting period.

Apart from the delay in issuing the guidance note, its technical standards are also disappointing. For one thing, the example provided in it is a very artificial one. A more realistic example would certainly have been useful. The reason for taking an oversimplified example seems to be the difficulties visualised in calculating the implicit interest rate. After reading the note and the accompanying example, one gets an impression that the institute has not heard of financial calculators like the HP12C or the spreadsheet programme on microcomputers, which can calculate all the needed figures if a few keys are pressed.

A couple of other loose ends also remain. The useful life of a leased asset has been defined as including the option period; it would have been more sensible to restrict it to the primary period. Again, the note talks of calculating the finance income on the net investment in the lease during the relevant period — a more precise definition would be the *average* net investment during the relevant period. This is very necessary as, in general, no lease is signed, or is allowed to expire, at the beginning or end of an accounting period. Again, the definitions of unearned finance income and the net investment in the lease are applicable only at the start of a lease transaction. What about subsequent periods? This latter definition is essential for a proper calculation of the finance income in every accounting period.

There are a few other more technical issues that could be taken up. Nevertheless, the fact remains that the issuance of the guidance note is better than not having one at all and it is certainly in the interests of investors and depositors. It should have been more comprehensive but then, in India, one has often to be content with the aperitif. The main course takes too long a-coming.

■ *A.V. Rajwade*

The author is a Bombay-based financial consultant



MORE FREEDOM TO BUY HARDWARE

RBI AMENDS COMPUTER POLICY

Amidst a lot of confusion concerning the purchase of computer hardware by banks, the Reserve Bank of India (RBI) has realised its folly and modified its earlier directives.

The RBI had earlier insisted that all nationalised banks should buy specific computer hardware from some manufacturers which it had shortlisted. This was met with howls from banks that each bank had distinctive requirements and they would require a great freedom of choice in deciding on the appropriate vendors for any package. They also argued that some of the manufacturers the RBI had recommended were reported to be going out of business in other parts of the world and their packages were not compatible with the computerised banking operations.

Consequently, the modified RBI directive informed the chairmen of all the nationalised banks that "to allow the banks to choose from a wider range of systems, it has now been decided to standardise on the software and leave the choice of hardware to be decided on price-performance ratio. That is, there will be no rigid stipulations on chip, bus, drives, peripherals, etc."

MORE INVESTMENT PERMITTED

Companies will now be permitted to invest more. Under sections 370 and 372 of the Companies Act, the ceiling for inter corporate loans has been raised from 10% to 20% of the aggregate of the subscribed capital of the lending company and its free reserves. The board of directors of a company can also invest in the shares of other companies up to 25% of the companies' subscribed equity share capital or the aggregate of the paid-up equity and preference share capital, whichever is less.

The government has also amended s.130, under which the registrar of companies has to keep a register of charges in respect of each company. This register will be available for inspection by any person on a payment of Rs 10. Meanwhile, under the amended s.219 of the Act, the government has prescribed the format of abridged balance-sheet and profit and loss accounts.

CURBING LOAN PAYMENT DELAYS

In order to curtail delays in credits accruing to the Centre's account with the Reserve Bank of India from various banks, the government plans to revise the norms applicable to delayed credit.

At a recently held seminar, S.R. Singh, controller general of accounts, said that a new norm to raise the interest rate on delayed credits from the present 5% to 7% or 10% is being considered. "The primary purpose is to ensure that the Centre's own dues do not get profitably deployed elsewhere by the nationalised and other designated banks, at the expense of the Centre," said Singh. However, Singh said that the Centre does not intend to reduce the 60-day credit period.

FI LOANS BEING MISUSED

There is a tendency on the part of entrepreneurs to misuse loans acquired from financial institutions. This is the finding of a study titled 'The role of financial institutions in the industrial development of Haryana with special reference to Haryana Financial Corporation.

"There is difficulty of wilful defaults in repayments and misutilisation of loans. A good follow-up system is needed to check this malpractice," the study states. It goes on to add that there is a feeling among entrepreneurs that the incentives are quite meagre. Thus, the loan limit should be raised, interest rates lowered and power supply regularised.

Conducted by Raj S. Dhankar, reader in the department of management, Kurukshetra University, the study covered institutions such as the Haryana Financial Corporation (HFC), IDBI, IFCI, LIC and UTI.

LENDING RATE BAND FOR FIs?

The financial institutions have set up a committee to recommend a band of interest rates for term loans in order to get some flexibility. The prime lending rate of the financial institutions has been a uniform 14% since 1981. The new band will have a ceiling of 16% and a floor rate of 12%.

The highest rate will be for the high risk ventures. All triple A-rated companies would have a low interest rate.

But there's one problem. Introduction of an interest band would upset many entrepreneurs' plans since the project report would be prepared based on a certain interest rate but the financial institutions may not agree with the assumed interest rate. If there is a substantial difference in the interest rates, it could make a project unviable.

BID TO RECOVER FARM LOANS

The ministry of agriculture is thinking of cracking the whip on farmers who have defaulted on loans from cooperatives and banks. The ministry has said there there is a need to create "an atmosphere of financial discipline" in the agriculture credit structure.

A plan which envisages the identification of bigger and wilful defaulters followed by coercive action against them could be drawn up by the ministry. However, the ministry is also offering a carrot to farmers. It has suggested that all members of the primary agricultural credit societies, who have repaid their loans, should be extended fresh credit. And Nabard has promised that it will provide funds to those cooperative credit banks which have given fresh credit to farmers who have repaid their loans.

The ministry also suggested that the fresh loans could be given for three months from the start of the major crop seasons without insisting on compliance with the seasonality discipline.

SUPREME INDUSTRIES

EXCITING OUTLOOK

Supreme Industries Ltd. (SIL), the Bombay-based plastics company which has made rapid strides during the last decade, is making further headway in the current year ending 30 June 1989. The turnover is likely to reach the Rs 100-crore milestone.

The going seems extremely good if the actual performance during the first three quarters (July 1988 to March 1989) is any indication. Not only are the sales expected to go up by 40%-50% over the previous year's figure, but even the gross profit could shoot up. Shareholders can expect a bumper dividend of 40%-50%

The outlook seems to be exciting. The company has chalked out a Rs 200-crore expansion-cum-diversification programme. It has already started taking steps to implement a Rs 27-crore programme to manufacture 3,000 tonnes per annum (tpa) of Bopp film. The plant, for which foreign collaboration is being negotiated at present, is scheduled to be commissioned by December 1991 at Erandol in the Jalgaon district of Maharashtra.

The company is also setting up a Rs 7 crore plant at Daman for the manufacture of 10,000 tpa of various plastic products, including multilayer sheets. A new foam rubber plant is being set up at Noida near New Delhi at a cost of Rs 3 crores.

The company is planning to implement a huge Rs 125-crore project to manufacture 50,000 tonnes of polystyrene, a vital raw material in the manufacture of plastic.

ASIAN CABLES

SENSIBLE GROWTH PLANS

There is good news for the shareholders of Asian Cables Ltd. The company has fared quite well during the year ended 31 March 1989 and shareholders can expect a higher dividend.

Although the accounts are under audit, it is reliably learnt that the company's sales could be around Rs 70 crores (12 months) as against Rs 75 crores achieved in the previous year (15 months). Likewise, net profit will be around Rs 3.75 crores as compared to Rs 3.95 crores. The management is likely to step up the equity dividend from the 7% paid in the previous year.

The company is planning to modernise its existing cables plant and diversify into new areas. After the merger of Wiltech with Asian Cables, the company is now planning to enter the field of consumer products. To start with, the company will market shaving brushes and shaving soaps.

COROMANDEL FERTILISERS

NO DIVIDEND LIKELY

Though the worst seems to be over for the cement and fertiliser manufacturer, Coromandel Fertilisers Co. Ltd., shareholders may have to wait for at least another year to get dividends.

The company suffered sharp setbacks during the last couple of years with the net loss amounting to Rs 6.98 crores in the year ended 31 March 1987. The losses rose further to Rs 11.72 crores in the 18-month period ended 30 September 1988. After paying a nominal dividend of 8% — that too, from reserves — in 1986-87, the company preferred to skip it altogether the next year.

Last year, the company's cement and fertiliser production was adversely affected on account of severe power cuts. As this problem has now been solved, production is slated to improve in the current year. However, the new retention price policy for fertilisers will adversely affect the profitability of the fertiliser division. The offtake of cement has also remained at a low level as the market has become competitive on account of decontrol.

In these circumstances, the company is unlikely to earn enough profit to enable the management to resume paying dividend for the current year.

Companies this fortnight

(Rs crores)

	Asian Cables (year ending March)			Supreme Industries (year ending June)			Coromandel Fer. (year ending September)		
	1985	1986	1988*	1986	1987	1988	1986	1987	1988**
Sales	27.04	36.93	75.11	40.22	51.26	68.92	189.05	179.59	276.01
Gross profit	3.51	4.93	10.32	3.38	4.56	5.44	15.06	24.14	6.98
Paid-up capital	3.02	3.50	8.61	0.90	0.90	1.80	16.21	24.32	24.32
Reserves	14.96	14.81	12.05	7.96	9.45	25.91	47.96	36.61	24.32
Gross fixed assets	15.18	17.13	36.74	16.23	23.17	42.79	166.85	180.93	193.97
Dividend (%)	10.00	17.00	7.00	27.00	36.00	36.00	20.00	8.00	Nil
Earnings per share (Rs)	23.27	42.46	52.40	22.00	21.00	19.00	6.11	—2.87	—4.81
Paid-up value (Rs)	100.00	100.00	100.00	10.00	10.00	10.00	10.00	10.00	10.00
Market price as on on 25 April 1989 (Rs)			52.50			230 00			27.00

*For a period of 15 months

**For a period of 18 months

MSSIDC

WHERE SERVICE COUNTS BEYOND TURNOVER

Grateful thanks to our SSI Units, Govt. & Semi-Govt. Purchasers, Public Sector Partners and our Employees for their unstinted support which made this possible.

MAHARASHTRA SMALL SCALE INDUSTRIES DEVELOPMENT CORPORATION LIMITED

Krupanidhi, 9, Walchand Hirachand Marg, Ballard Estate, Bombay 400038.

Phone: 261121-22-23, 264824, 264939.● Telex: 011-73599.● Cable: MASSIDCORP. ● FAX: (22) 4150623

88-89 **300 CRORES**

87-88 **170 CRORES**

85-86 **100 CRORES**

Maadhyam

TUBE INVESTMENTS

GOOD RIDE

Tube Investments of India (TII) has pedalled its way smoothly through the year ended 31 December 1988. Net sales rose 18.4 % over the previous year to Rs 162.60 crores. While gross profit moved up 21.1 % to Rs 15.24 crores, post-tax profit jumped up by 32.6% to Rs 5.36 crores. The management has hiked dividend by four points to 24%.

TII's cycle division hawked record one million bicycles during the year. Also, the company's project to roll out forged components for bicycles is nearing completion.

TII's enginering division performed satisfactorily in spite of a four-month strike. Though the market is getting more and more competitive, sales of strips and tubes have increased.

The company's improvement in performance on the export front has been marginal, with exports rising up to Rs 1.18 crores (Rs 1.10 crores last year).

GRASIM INDUSTRIES

PROJECTS CLEARED

Grasim Industries Ltd., a Birla group company, has received the nod from the government to proceed with four projects. To cost Rs 20 crores, they include the manufacture of chlorosulphonic acid and polyaluminium chloride, installation of 25 shuttleless looms, and the doubling of manufacturing capacity for stable bleaching powder. All the four projects are to be located in Madhya Pradesh.

The project to manufacture 13,860 tonnes per annum of polyaluminium chloride will be located at Ujjain. It will cost Rs 3.36 crores. The project to manufacture 6,600 tpa of chlorosulphonic acid will also be located at Ujjain (project cost: Rs 2.9 crores).

The plan to set up 25 shuttleless looms will cost Rs 10.30 crores. It will be located at Mallanpur and Gohand in Bhind district. The last project is to double the capacity of stable bleaching powder to 20,000 tpa at a cost of Rs 3 crores. The green signal for expansion has been given on the condition that the company will export 25% of its production for at least eight years.

ASHOK LEYLAND

NEW PRODUCT LINES

Ashok Leyland plans to manufacture light commercial vehicles and fully outfitted passenger vehicles and newer models of heavy commercial vehicles. This is a major expansion plan after Iveco (a Fiat group company) and the London-based Hindujas took over 39% of the company. According to reports, the project cost will be in hundreds of crores.

A major investment will be in the manufacture of an entire range of engines from 40 hp to 400 hp with technological help from Iveco. These engines are used in tractors, agricultural machinery, generators, etc. Another plan that is being pursued is to manufacture passenger cars.

Ashok Leyland's Madras plant will be robotised with help from Comau, another Fiat subsidiary.

BPL

AMBITIOUS PLANS

The Bangalore-based BPL group is planning to set up a Rs25-crore project to manufacture a range of audio products for export in collaboration with Sanyo, Japan.

According to T.P.G.Nambiar, the group's chairman, BPL is having talks with Sanyo, which is interested in buying upto 1 million audio products. "It is going to be a large project which will engage our attention for the next five years," says he.



A VIEW OF BPL'S NEW PCB PLANT

One of the BPL group companies, BPL-Sanyo Ltd., in which Sanyo has a 40% stake, is already into the manufacture of VCRs. BPL will also tap Sanyo knowhow for the proposed manufacture of white goods like washing machines, microwave ovens and electric irons.

Meanwhile, BPL's third PCB plant went on stream recently. Located at Doddaballapur near Bangalore, the plant has an installed capacity of 25,000 sq metres of PCBs per month and will produce new generation 150-micron PCBs using Sanyo technology.

THAPAR AGRO

EXPORTS ZOOM

It's been an exports boom at Thapar Agro Mills Ltd. During the extended year ended 31 March 1989, rice and deoiled cake exports jumped to Rs 5 crores as against Rs 76 lakhs in the previous year ended 31 December 1987. Turnover, too, has increased to Rs 37 crores (Rs 24 crores).

The company is thinking expansion. A fatty/stearic acid and glycerine unit having a capacity of 50 tonnes per day is to be set up in Nainital (UP). The expansion plans include the possibility of manufacturing 30 tpd of soap noodles and soap.The entire project is to cost Rs 18 crores.

The company is also working on another agro-based project which is to cost Rs 60 crores.

USHA RECTIFIER CORP.

EXCITING RESULTS

Usha Rectifier Corporation India Ltd., the New Delhi-based manufacturer of semiconductors and rectifiers, has announced better results for the year ended 31 December 1988. The turnover of the company has almost doubled from Rs 24.18 crores in 1987 to Rs 45.84 crores in 1988. While the gross profit did more than double to Rs 8.06 crores from Rs 2.73 crores, pre-tax profit soared to Rs 5.78 crores from Rs 28.07 lakhs in the previous year.

With a final dividend of 5% in addition to the two interim dividends of 10% and 20%, the total dividend recommended for the year is 35%.

Meanwhile, the company's electronic and galvanised steel divisions are doing well. The company's diversification into colour-coated and PVC-coated galvanised sheets is going on stream. One of its subsidiaries, Usha Ispat Ltd., is setting up a 100% export-oriented cold rolling mill complex near Bombay. Besides this, the company is setting up an electronic components complex at Bhimtal in the Nainital district of Uttar Pradesh. Estimated to cost Rs 57.08 crores, it will manufacture both industrial and consumer electronic components.

GOKAK PATEL VOLKART

NON-WOVEN PRODUCTS

Tata group company, Gokak Patel Volkart Ltd., has worked out a foray into non-woven products manufacture. The company is setting up a Rs 30 crore plant at Waluj in Aurangabad with a capacity to manufacture 4,000 tonnes per annum of these products which find applications in sanitary napkins, interlining materials and carpeting. They are also used as a filter medium in the chemicals and other processing industries.

The Tatas apparently are quite familiar with this area as one of their textile units, which was later taken over by the National Textile Corporation, used to make non-woven products. And their reentry via Gokak Patel Volkart indicates a desire to reassert their pioneering role.

The company is meeting the cost of the project through a rights issue of Rs 6.52 crores, loans from banks and financial institutions worth Rs 6.30 crores, debentures of Rs 6.30 crores, foreign exchange loans of Rs 5.25 crores and a state subsidy Rs 15 lakhs. Rs 5.48 crores is being raised through internal accruals.

KARNATAKA SILK

TURNING THE CORNER

The Rs 28 crore modernisation programme funded by the World Bank has helped Karnataka Silk Industries Corporation (KSIC) improve its performance. It has increased its turnover by 40% to Rs 23.85 crores over that of the previous year (1987-88). However, according to chairman and managing director Vijay Kumar Gore, it will take two to three years for KSIC to break even. The loss in 1988-89 has provisionally been placed at Rs 3.8 crores, mainly on account of interest and depreciation.

According to Gore, KSIC has introduced a new variety of printed sarees in the 40-60 gm range. The company has also introduced many new designs acquired from master designers from Calcutta, Delhi and Bombay. KSIC has opened regional offices in Bombay and Delhi for the benefit of bulk buyers such as Indian Airlines and Air-India.

ENNORE FOUNDRIES

IN FINE MOULD

Ennore Foundries Ltd. has increased its sales by 22% in 1988 to Rs 48.92 crores (Rs 40.12 crores in 1987). Production too rose to 28,063 tonnes (25,324 tonnes). Profit before tax increased to Rs 1.99 crores (Rs 1.64 crores), a rise of 21%. Profit after tax was Rs 1.44 crores (Rs 1.24 crores). The board of directors has recommended a dividend of 18%.

The installation of a high pressure automatic shoot squeeze moulding plant as part of its Rs 11 crore technology upgradation programme is in progress. The company is setting its sights on the export market. A beginning is being made to export castings to leading vehicle manufacturers in the UK and Italy.

ISHAR ALLOYS

TURNOVER UP

Shri Ishar Alloy Steels has notched up a fine performance during the accounting period ending 31 March 1989. Turnover for the period (11 months, 18 days) has risen to Rs 52 crores as against Rs 44.42 crores in the previous 12-month year. The Bombay-based company produced 66,654 tonnes of steel (67,243 tonnes), but despite the lower production, turnover has zoomed because the product mix comprised more special grade alloy steels.

The company's Rs 13 crore modernisation scheme is in an advanced stage of completion. A 132 Kv sub-station has been installed and loaded. Besides, trial runs have been conducted on a new furnace.

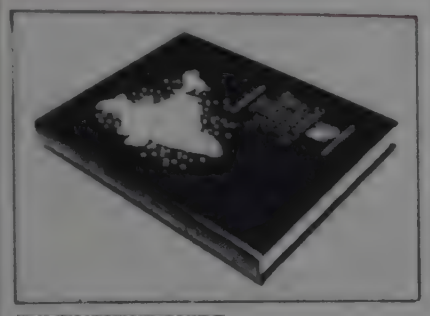
G.R.INDUSTRIES

RESTRUCTURING OPERATIONS

G.R.Industries, pioneers in the manufacture of electromagnetic equipment, is splitting up its operations. The Dum Dum (Calcutta) unit will from now on manufacture special purpose machinery only, and produce electronic components for audio and video instruments.

The electromagnet unit has been shifted to Jamshedpur and a new company, G.R.Magnets, has been floated. Set up at a cost of Rs 3.08 crores, the project has been set up using indigenous technology. Commercial production commenced in March and the managing director, P.M.Rampuria, is confident of raking in a turnover of Rs 5 crores. Net profit will be 10% of this, says he.

NEW PRODUCTS



R.K.SWAMY'S GUIDE

■ **R.K.Swamy Advertising Associates** has published *The R.K.Swamy Guide To Market Planning*. This is a compilation of data to help "area priority marketing." It is useful in market planning for a variety of categories such as consumer durables, agro and industrial inputs, banking, insurance, etc. The price: Rs 2,000.

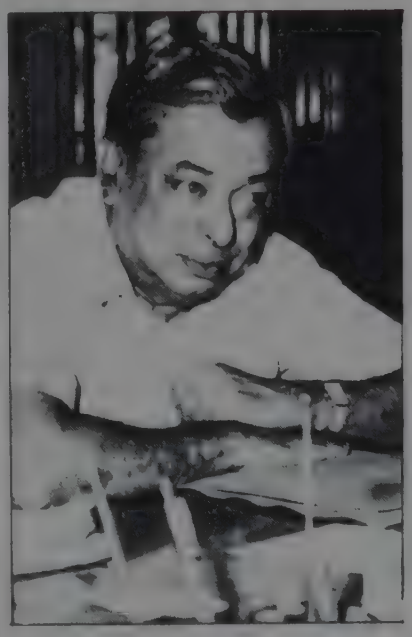
NEW ORDERS

■ **Larsen & Toubro** has secured a Rs 11.7 crore contract to design and supply low tension switchgears from the National Thermal Power Corporation (NTPC). L&T's package for NTPC's National Capital Thermal Power project (Dadri) Stage 1 (4x210 Mw) includes circuit breaker boards, motor control centres, distribution boards and allied equipment.

■ **ABB India**, the combine of Hindustan Brown Boveri and Asea Ltd., has pocketed one of the largest orders so far for control and relay panels in the country. The Rs 5.05 crore order placed by the National Thermal Power Corporation for the Khalgaon Super thermal Power Project (Stage-1), includes supply, erection and commissioning of fourth generation relays with self-diagnostic, automatic testing and continuous monitoring facilities.

■ **Khandelwal Herrmann Electronics** has bagged an export order worth $181,000 from Hong Kong. In rupee terms, this works out to Rs 28 lakhs. Khandelwal Herrmann will supply silicon-controlled rectifiers and triacs to Hong Kong. The company hopes to export 30% of its production this year.

AWARDED



ANOTHER HONOUR FOR KURIEN

■ **Verghese Kurien**, chairman of the National Dairy Development Board, has been conferred with an honorary doctorate by the University of New England, Australia, for his contributions to the development of the cooperative movement in India.

■ **Gujarat State Fertilizers Co. Ltd.** has bagged the Industrial Relations Award for 1989. This is awarded by the Federation of Indian Chambers and Industries (FICCI) every year.

TIEUPS

■ **International Data Management Ltd.** (IDM) has entered into an agreement with Schiffko Gmbh, West Germany, to market the latter's Cad-Cam systems. Schiffko systems can be used by the shipbuilding, steel fabrication and structural engineering industries. In the shipbuilding industry they find applications in ship design and building, on-board computerised control of loading, maintenance and spare parts, etc.

■ **RPG Enterprises** has tied up with Sulzer Brothers Ltd., Switzerland, to manufacture and market a variety of high-tech industrial equipment such as structured packing and columns, static mixers, heavy duty pusher type centrifuges, high-pressure compressors, etc. The joint venture will be known as Sulzer India Ltd.

■ Indian Reprographic Systems Ltd. (IRS) has tied up with US-based General Binding Corporation to make binding and laminating equipment. A new company, **G.B. Hi-Tech (India) Ltd.**, in which each of the partners hold 40% equity, has been set up. The plant is located at Meerut in Uttar Pradesh.

■ **Mafatlal Consultancy Services** (MCS) has entered into an agreement with Data Basics Corporation (DBC), a US-based software company, to market its range of software in India. And one of DBC's software packages is styled Camp (comprehensive apparel manufacturers' package). MCS will provide support and consultancy services for DBC's product range besides enhancing it.

MCS also plans to set up a joint venture outfit in one of the technology parks in India. It will have satellite links with the US and will concentrate on developing software for the latest AS/40 IBM mainframe and mid-range systems.

NEW PROJECTS

■ **Pasupati Acrylon Ltd.** has been promoted by the Jain group in collaboration with SNIA BPD, a subsidiary of the Fiat group of Italy. The plant will manufacture 12,000 tonnes per annum of acrylic fibre (a synthetic substitute for wool) and has been set up at Thakurdwara in the Moradabad district of Uttar Pradesh. The Rs.100 crore project is being financed by a rupee term loan of Rs 42.45 crores, a foreign currency loan of Rs 6.01 crores, suppliers' credit of Rs 21.05 crores and an equity of Rs 30.90 crores. A public issue of Rs 10.80 crores is on the cards.

TATA TEA'S ACQUISITIVE URGE

Eyebrows went up on 19 March 1989, when *Business Standard*, Calcutta's premier business daily, carried a prominent advertisement offering to buy or lease tea estates. Nothing earthshaking in itself. Only, the advertiser was none other than the country's largest tea company, Darbari Seth's Tata Tea Ltd. And the ad indicated that, in its drive to increase both the range and size of its operations, the company was looking for acquisitions in the four states of Assam, West Bengal, Kerala and Tamil Nadu. It emphasised that the company had strongly integrated production and marketing capabilities, including the export marketing of tea.

Cash mountain. If nothing else, the ad provides one answer to the question: what do Tata Tea and Seth intend to do with their cash mountain? The company — and the plantation industry as a whole — has been doing quite well for the last five consecutive years and cash has been pouring into its coffers. Despite handsome dividend payouts and bonus issues, Tata Tea had oodles of cash parked in units of the Unit Trust of India (over Rs 25 crores, as on 31 December 1987, the latest figures available).

The basic strategy at Tata Tea, apart from reducing dependence on both auctions and domestic sales, is to build direct channels for exports

Part of the money will, no doubt, be invested in some of the Tatas' major projects, including the refinery project and Tata Fertilisers, but there would still be plenty left over. But now the doubts can be laid to rest: Tata Tea will also be investing in its mainline business and convincingly maintain its position as the largest single tea plantation company in the world.

To be sure, the Macneill & Magor group of B.M. Khaitan remains the leader with a total annual tea output of over 60 million kg. But Tata Tea is still the single largest company by far (current annual output: 50 million kg) — much larger individually than each of the smaller units that go to make up Khaitan's empire. And the key point which makes the company distinctive is the integration of production and marketing that has been achieved over the last few years under Seth's leadership.

With the success of its polypacks, Tata Tea has managed to achieve consistent good profits even from its gardens in south India (from where roughly half the output comes), despite the fact that they fetch lower prices at auctions. By serving notice of its intention to take over and manage sick tea estates (the *Business Standard* advertisement clearly targets itself at badly-managed gardens or those where the owners have lost interest), the company is sending a clear signal that it intends to handle higher tonnages and emerge as an even stronger blender and marketer of tea.

TATA TEA'S GARDENS PRODUCED MORE IN 1988



The polypack phenomenon, pioneered by Tata Tea, has added a new dimension to the previously stagnant packaged tea market in India. In 1988, out of a total domestic consumption of approximately 470 million kg, packaged tea accounted for over 130 million kg. And 20 million kg of the latter quantity was sold in polypacks.

A heartening point for blenders is that the polypack revolution has actually added to the total market, which has for many years witnessed tough competition. Till very recently, Brooke Bond and Lipton were the only names in tea packaging. But now Tata Tea has emerged as a strong third, selling perhaps as much as 30%-35% of its total garden output in polypacks.

New gambit. The effort to buy or lease tea gardens is a new gambit that has many observers perplexed. For there doesn't seem too much chance of Tata Tea getting too many gardens under its fold this way. Says one industry monitor: "It is difficult to buy tea gardens today. At least in north India, they (Tata Tea) are unlikely to be successful. They may get one or two in south India, but a net addition of one or two million kg of output does not make much sense, especially if the average size of each estate is below economic levels." He adds: "For any major stepup, the company will have to depend on its existing estates."

The future of Tata Tea, however, depends little on acquisitions. The near-term portents for the company, which is all set to declare its financial results for the 15-month period ended 31 March 1989, are good. Against a production level of 48.88 million kg of tea in calendar 1987, 1988's volume was much higher at 54 million kg, with both the north and south Indian gardens reporting good production. Post-tax profits are, therefore, expected to be at least a couple of crores higher than 1987's Rs 11 crores. On a share capital enhanced by a 2:5 bonus issue last year, it is reasonable to expect dividend to be at least on a par with 1987's 45%, paid on a pre-bonus capital of Rs 12.2 crores.

Given that Tata Tea has become one of the most speculative counters and highly traded shares on the Bombay Stock Exchange (1988 trading volume : Rs 375 crores), company sources firmly discourage attempts at profit prediction. However, since Tata Tea is a barometer scrip for all plantation equities, such attempts at extrapolating results are inevitable. And the trends suggest that while 1988 may show an improvement over the year before, 1989 will not be bad either.



SETH OVERSAW A GOOD YEAR AT TATA TEA

The backdrop for the current year is 1988's record crop in south India, which saw production up almost 20% to 170 million kg for the industry as a whole. In contrast, the first few months of this year have seen a drought, both in south India and the Dooars (north Bengal), though the gardens in Assam continue to fare quite well. The bulk of the crop comes into the market in the middle of the year, but auction prices continue to remain firm. With a worldwide shortage on the cards (since stocks in the pipeline are low and both Sri Lanka and south India are likely to report a lower harvest this year), price realisations are expected to remain good, especially in view of the strong domestic demand. Profits in the next financial year are, therefore, unlikely to suffer, especially for a diversified producer like Tata Tea.

Export thrust. The fact that Tata Tea is trying to shed overdependence on the domestic market is evident from its export thrust. According to company sources, 1988 saw 4.8 million kg of tea being exported, of which 1.4 million kg was accounted for by a 1987 order that was executed later. Over the next two or three years, the company has definite plans to boost exports to a level of 25% of output (say, around 12-14 million kg annually), both in bulk and value-added form. The markets being targeted are West Asia and the US (to some degree).

The basic strategy, apart from reducing dependence on both auctions and domestic sales, is to build direct channels for exports. This insurance policy should help if either auction prices soften or if the present buoyancy in domestic demand shows signs of flagging.

Overall, Tata Tea continues to warrant sufficient investor interest. With share values surging across the board, plantation scrips are doing quite well, thank you. But in the longer run, when the current bull-run runs out of steam, Tata Tea could be one scrip that may not see investors stampeding towards the exit.

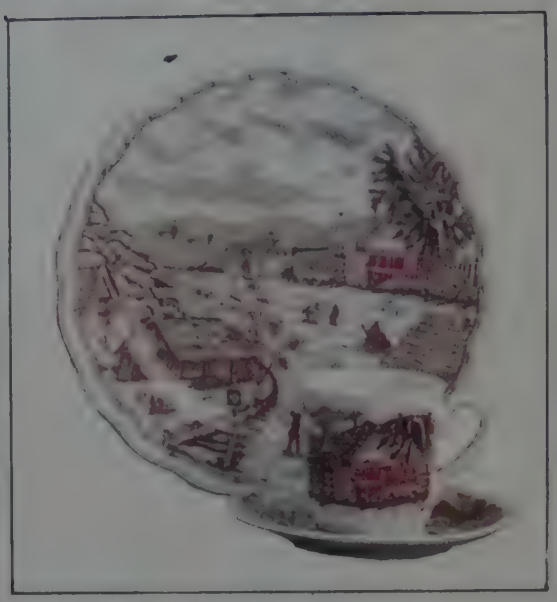
■ *Subrata Roy*

DREAMS IN CERAMIC

A market for Italian tiles? Hari Shankar Jalan, the 49-year-old chairman of Indodan Industries, thinks there is one, never mind that Rajiv Gandhi's buddy Capt. Satish Sharma has completed work on his swimming pool with imported tiles. "Our tiles will be targeted at the lady who spends a good chunk of her time either in the bedroom or the bathroom," says Jalan, who has just cobbled together, financial and technical collaborations with three Italian companies to manufacture ceramic tiles, sanitaryware and tableware.

Having succeeded in entrenching himself in the upper-crust Indian housewife's consciousness with his ghee, milk products and, lately, the Gold Cafe instant coffee, Jalan is hopeful that he can add ceramic products to that list. He believes that the competition is concentrated at the lower end of the market whereas he will be attacking the highly specialised premium end. "It is a virgin market. We will not be introducing a me-too product," says he.

A strong believer in the credo that it doesn't pay to think small (remember Gold Cafe's brash, but successful, gatecrash into the premium coffee segment in the teeth of strong opposition from industry leader Food Specialities?), Jalan has abandoned earlier plans for a small project in Rajasthan in favour of a Rs 42 crore one in Secunderabad, Andhra Pradesh. And by far the largest component of this is the Rs 16 crore tiles project, which will produce both wall and floor tiles, of the polished and unpolished varieties.



ANY TAKERS FOR TABLEWARE?

SUPERIOR TECHNOLOGY

The USP? The project's chief executive, R.Bhandari, thinks it is the superior process technology. The manufacturing process provided by the firm's Italian collaborator will apparently eliminate two stages in the normal production process, with clay and granite being the chief raw materials. Bhandari claims that his tiles will be almost 90% as hard as the hardest material known to mankind: diamonds. That should make them, like diamonds, last forever. The hope is that this will be enough to make consumers cough up the additional 35%-40% that the tiles will cost compared to those being hawked by conventional ceramic competitors. Jalan pooh-poohs talk of competition. "We are not in competition. We will be marketing desires, not needs."

Whether the consumer's needs will mesh with Jalan's desires will be known in the first year of production itself (1989-90), when the latter hopes to make nearly 12,000-15,000 tonnes of tiles available. Jalan has equally ambitious plans for his Rs 11 crore sanitaryware venture, for which the first year's production target has been set at 4,000 tonnes, nearly 85% of capacity. Producing just around 60 sets of sanitaryware products daily, Jalan feels he can cater to a select band of demanding customers and make "phenomenal profits."

Add the Rs 15 crore tableware project, from which there are similar expectations, and it's obvious that Jalan hopes to score a hat trick of successes in ceramics. Having tied up a collaboration with "Italy's No 1" tableware manufacturer, Indodan believes that it has spotted a niche at the top end of a market that is anyway undersupplied to the extent of 15,000 tonnes annually (current demand: 128,000 tonnes). Jalan reckons that his projected output target of 2,000 tonnes in the first year should be lapped up without problem.

Notwithstanding all the fond hopes of tapping the premium segment, the ground realities point to a tough struggle, especially in ceramic tiles and sanitaryware. In tiles, for example, Spartek, with a capacity of 42,000 tonnes per annum (tpa), is streets ahead of the competition,



We will be marketing desires, not needs

H.S. Jalan
chairman
Indodan Industries Ltd.

which includes new entrants like Bell Ceramics, Regency Ceramics, Nitco Tiles, Kajaria Ceramics and several others. In sanitaryware, the big leaguers include EID Parry, Hindustan Sanitaryware and Neycer (since taken over by Spartek), all of whom have designs on the premium end of the market as well. So what holds special fascination for Jalan in this overcrowded field?

MULTINATIONAL BASHER

Jalan has a sort of an answer. Says he: "Last year we entered the coffee market and gave the multinationals a good beating. The thrill is wearing off. We wanted new challenges." Sources close to Jalan admit that there is the flag-waving, multinational-bashing side to Jalan that is ever willing to go out and battle against the odds, but this is supplemented by a super-sensitive businessman's nose for profits and liberal dollops of marketing sense. This was demonstrated amply with the launch of Gold Cafe (see *BW* 23 May-5 June, 1988, p.30), which has since carved up a 15%-20% share in a Rs 100 crore market for instant coffee.

Drawing on the lessons of the Gold Cafe launch, Jalan is stressing the marketing aspect in his new venture, styled Foremost Ceramics. Apart from routing sales through the normal trade channels, he wants to popularise the concept of 'ceramics boutiques' where everything from tiles to sanitaryware to tableware will be sold. Initially, these boutiques will be limited to the five metropolises of Delhi, Bombay, Calcutta, Madras and Bangalore. The target audience has been clearly defined: the hotel industry and the upper-middle class.

To take the marketing process further, Jalan plans to deliver turnkey projects for his target audience: the designing and installation of custom-made bathrooms and other rooms. The idea is to let the customer choose the designs of tiles and sanitaryware; the company will then execute the project on a turnkey basis. "My idea is to give the housewife a dream bathroom," says Jalan coyly. He argues that when customers can afford to pay upto Rs 5,000 per sq ft for land and buildings, he (or she) could well pay up the additional few thousands for good quality tiling.

To convince his targeted quarry about the idea, Jalan is planning an advertising splash. Taking a leaf out of Spartek's book of success, in which big budget advertising played a key role, Jalan is planning to lay around Rs 60 lakhs on the line for an ad blitz in the year the products are launched. While Clarion, the agency that launched the Gold Cafe ads last year, will be handling the ceramics campaign initially, the news on the grapevine is that Jalan will be floating his own agency to run the show a little while later, possibly with people pinched from Clarion.

Despite exuding optimism from every pore, Jalan will not be putting all his eggs in the home market. Given his high-quality, premium products, he reckons that there is a huge world market waiting to be tapped, particularly in the US, Europe and south-east Asia. In fact, all his three collaboration agreements come with either buyback arrangements or assurances of help in export marketing. In the tile project, there is a minimum buyback agreement for 30% of the production; in the case of the tableware project, the level is higher at around 40%. In sanitaryware, however, the collaborator has only proferred a promise to help with exports.



JALAN'S DREAM BATHROOM SANITARYWARE

Notwithstanding Jalan's fond hopes of grabbing the top end of the market, ground realities point to a tough struggle

In any case, it is quality which holds the key to exports. And, given the high level of automation involved in the projects (over 50%), Jalan is confident that his products will not be found wanting on this score. It was the promise of the export market that prompted him to opt for a costlier project that would yield quality products in preference to something cheaper. "After our homework, we concluded that we cannot do without a highly sophisticated plant. Otherwise, I could have brought down the total project cost by Rs 15 crores," says Jalan.

Can he pull it off? The answer would depend on Jalan's durability. His Rs 100 crore ghee-milk products-coffee-and-spices Indodan group made post-tax profits of a mere Rs 90 lakhs in 1988-89. In the ceramics venture, the group's investment will be almost Rs 10 crores—not a small sum. Some industry watchers suspect that Jalan's ambitions may be running ahead of his capacity to bankroll his projects, especially in view of his tendency to take on the giants on their own turf.

But he has scored a big win with his Gold Cafe gamble. And gamblers don't give up when they are on a winning spree.

■ *George Skaria*

THEY HAVE TAKEN THE RISK OUT OF PACKAGING



When you package food stuff in glass, you run the risk of breakages. Sometimes as high as 100%.

PEARLPET bottles and jars are unbreakable, and result in considerable savings on breakage and product wastage.

Tin containers are heavy, unhygienic and are prone to rust, corrosion and denting.

PEARLPET bottles and jars are totally hygienic and never rust or corrode. They are light in weight,resulting in substantial savings in transportation costs. Cardboard packaging is flimsy; plastics and PVC impart unpleasant odours and tend to crack.

PEARLPET bottles and jars are non-toxic, have excellent food grade properties and impart no odour to the food stuffs stored in them. Having superior impact resistance, **PEARL**PET is shatterproof.

No wonder, **PEARL**PET bottles and jars offer the most cost-effective, convenient and modern method to package all kinds of food stuffs. They retain the original flavour and freshness of the packaged contents and enhance the shelf appeal and visibility of your product,leading to higher sales.

Today **PEARL**PET bottles and jars are widely used by the Indian food processing industry for liquids, solids & powders for diverse edible products such as cooking oils, carbonated beverages, pickles, soup mixes, sauces, syrups, malted foods etc.

Available in a wide variety of shapes, sizes and colours.

For further information, write to:

PEARL Polymers Ltd.

704, Rohit House, Tolstoy Marg, New Delhi-110 001
Phones: 331 7250, 331 7033, 331 7055; Telex: 031 65493 PARL IN
BOMBAY Ph: 437 5620, 437 8654; CALCUTTA Ph: 43 2141;
MADRAS Ph: 47 9521, 86 7089; BANGALORE Ph: 355057

PEARLPET
Approved by the CFTRI, Mysore and BIS as safe for contact with food stuffs.

In technical collaboration with
FIBRENYLE
Europe's largest PET bottle manufacturer.

PEARLPET®

INDIA'S LARGEST PET MANUFACTURER

FSA-D/PP/039

TRADE BARRIERS

US DRAWS UP A HIT-LIST

Japan and East Asia's newly industrialised countries are bracing themselves for another bruising round in their battle with the US over trade barriers. On 30 May, they face the embarrassing and potentially costly fate of being branded by Washington as countries which persistently block free entry of American goods.

Under a provision of the US Omnibus Trade and Competitiveness Act of 1988, known as Super 301, the US Trade Representative (USTR) is required by congress to draw up a list of countries which have erected systematic barriers to US exporters. The listed countries, which may include South Korea, Taiwan and Japan, could then face the threat of retaliation unless the barriers are dismantled.

But opinions differ widely as to the implications of Super 301. Some insist that its bark is worse than its bite, while it has filled others — particularly those most likely to be affected — with alarm.

South Korea has reacted most strongly, sending a stream of high-level officials to Washington in a bid to sway congress. Taiwan, on the other hand, has adopted a relaxed wait-and-see approach. In Tokyo, the issue has provoked diverse reactions. Some resent what they see as an unjust attempt by the US to blame others for its lack of competitiveness. Others see it as a chance to overhaul US-Japan trade relations.

The 30 May report will identify the major trade barriers facing US companies and list the countries with the worst market-distorting practices. Mandatory investigations will be launched against each identified barrier and unfair trade practices by 20 June at the latest. Simultaneously, the USTR will open talks on the removal of those barriers. If agreement is reached within three years the investigation will be dropped.

If negotiations do not succeed, sanctions will be applied. Retaliation may include US suspension of trade concessions, imposition of duties or other restrictions on imports, and pursuit of binding agreements with the offending country in order to eliminate or compensate for unfair trade practices.



IT COULD BE NO-GO FOR EXPORTS LIKE THESE AFTER SUPER 301

Far-reaching implications. The implications for trade policy and trade relations could be far-reaching. As one of its authors, senator John Danforth, put it, Super 301 is designed to be "broad, long range ... the opposite of sporadic and ad hoc negotiations." Super 301, a response to mounting congressional frustration at Washington's failure to curb a growing trade deficit, sets a timetable for negotiations in order to prevent the US administration from dragging its feet in difficult trade disputes.

The most likely candidates who may figure on the US hit-list are Japan, South Korea, Brazil — and India. These countries may come under pressure to dismantle trade barriers that discriminate against US goods

But in fact the timetable is not as tight as in the original provision. It allows three years for negotiations, compared with 18 months in Section 301 of the 1974 Trade Act. In addition, the report detailing progress in negotiations, which, under the terms of Super 301, the administration will have to submit to congress each year, is not likely to put it under much pressure. As one critic says : "Progress is easy — the reality of it is that unless a country flatly says we are not going to talk, all you have to do is to come up with some fig leaf."

Indeed, despite Super 301's dangerous-sounding provisions, there is some doubt that it will prove much more effective than the original legislation. "Compared with the regular 301," says a trade analyst Paul Ryberg, "Super 301 has some teeth — but no fangs."

But even if Super 301 does not erect strong barriers to the US market, as many Asian countries fear, the sheer political and psychological pressure of being listed may force countries to be more accommodating.

Ryberg believes that what bite Super 301 does have will come from continuous congressional pressure to penalise countries erecting barriers to free trade. While the investigations into unfair trade cases may drag on, congress will be baying for action.

The controversy surrounding the Japan-US development of the FSX fighter aircraft is an indication of what might be in store. Tremendous congressional pressure forced the administration to reopen talks on a deal which it had almost signed and sealed.

Hit-list candidates. There is intense speculation as to which countries will be on the Super 301 hit-list. The most likely candidates are Japan, South Korea, Taiwan, India and Brazil. There is strong pressure from congress to include Japan. Danforth says he will be "startled and very disturbed if Japan is not on the list for any reason...Super 301 was clearly written with Japan in mind...and intended to apply a long-range consistent effort to open markets in Japan."

IN WASHINGTON'S SIGHTS

Trade surplus with US

(US $ billion)

	Japan	Taiwan	South Korea
1984	33.08	9.83	3.60
1985	39.49	10.02	4.26
1986	51.40	13.57	7.34
1987	52.09	16.03	9.55
1988	47.60	10.43	8.65

Source: Far Eastern Economic Review

The question of whether to put Japan on the list is deeply controversial within the administration. Inclusion could antagonise Japan, and a Japanese refusal to buy US Treasury bonds would have serious economic consequences. But the price of leaving out Japan, while targeting Seoul, for instance, would be increased anti-Americanism in South Korea.

Japan is steeling itself against its possible appearance on the hit-list. When the trade bill was passed last year, one of the foreign ministry's most senior officials said that Super 301 was "a formidable weapon for protectionism if used improperly and could trigger an awful disturbance in world trade. The USTR could hit Japan with a whole list of complaints."

Japan accounted for 40% of the US global trade deficit of US$ 137 billion last year and there is no sign of it falling in 1989. Hirohiko Okumura, chief economist, Nomura Research Institute, thinks future US pressure is likely to focus on specific sectors.

Tokyo trade officials are divided into doves and hawks about the appropriate responses. The hawks believe that the US problems are basically of its own making and there is little Japan can do about them. They challenge the US to specify cases where its goods are unfairly excluded from Japan.

The doves, on the other hand, believe the US remains the linchpin of the global trade system. Japan must, therefore, try to placate congress — though they admit to being at a loss as to how to do this. Doves and hawks both want to scrap the traditional product-by-product negotiations and opt instead for a broader approach on commerce between the two countries. But with little sign of the US adopting this idea, Japan is working on an alternative policy of "containment."

First, it is trying to promote the current Uruguay Round of Gatt talks in order to bind the US more firmly to the agreement's principles of non-discriminatory trade. Second, it is seeking to boost Asia-Pacific cooperation.

S. Korean lobbying. South Korea has despatched senior officials to Washington in an orchestrated campaign of personal lobbying designed to keep South Korea off the Super 301 list. In addition, reforms aimed at heading off the threat were announced on 10 April, with markets for 243 foreign agricultural and fisheries products being opened by the end of 1991.

But it is still likely to be an uphill struggle, given the mutual mistrust. South Korea was singled out by the US in February as a priority target in telecommunications. A US verdict will also be reached shortly on South Korea's record on intellectual property rights and overall trade issues.

Super 301 — a law that may bar entry for goods from countries that allegedly discriminate against US goods, "has some teeth, but no fangs," feel experts

The list of recent visitors to Washington already includes two assistant ministers. South Korean officials say the country's political climate could make increased US trade pressure counter-productive. "Anti-Americanism is a growing trend in this country. We have to try to persuade the public that the market opening is not because of US pressure but because our economy needs more competition," says Kim Byong Kyun, director-general of the economic planning board's international policy coordination office.

Certainly, progress is being made. In addition to the 10 April agricultural package, South Korea has just promised to change 39 laws which affect trade — but this requires national assembly approval and opposition legislators may resist. Government officials also say they are now serious about enforcing existing laws on intellectual property.

Taiwan's response. Taiwan trade officials remain phlegmatic about the prospect of appearing on the list. Taiwan has not launched any extensive lobbying effort and is not planning to do so.

"Trade practices are a matter of dollars and cents, not public relations," said a board of foreign trade official. "We've got to evaluate the situation and try to change it , hopefully by using a timetable. We've already had successes with market openings, but it's a continuous process."

Trade officials say they are studying industry petitions made to USTR and will respond to them issue by issue. Taiwan has been named in eight categories so far, including film copyright infringement, grapefruit exports, car parts, chocolate, rice, and horticultural exports.

Taiwan trade officials point to past success in lifting trade barriers, but say they are keeping an open mind about whether they still need to change some practices.

■ *Nayan Chanda*
(By special arrangement with the Far Eastern Economic Review, Hong Kong)

PRODUCT DIVERTERS

COLGATE SHOWS ITS TEETH

An action brought against an importer by Colgate-Palmolive, the household goods multinational, in the Appeal Court in London last month has focused attention on the trading practices of diverters.

Diverters are not latter-day smugglers but well-organised businessmen who obtain branded goods from countries where they are produced or sold cheaply and sell them to retailers in countries where the same brands sell at a higher price.

Profits running into millions of dollars can be made by diverters, according to Revlon, the US cosmetics multinational, which has also gone to court to protect its products against cheap imports. Luxury goods and consumer products such as jewellery, alcohol, cosmetics, clothes and even food are among the most lucrative targets for diverters, says Revlon.

Colgate (UK) claims that the widespread practice of diverting is harming its reputation and undermining its market share. The US National Food Brokers Association (NFBA) in Washington says: "Diverting price lists are electronically available daily. Often, participants are aided by manufacturers and sales forces.

"Diverting is not a new creation. It has always been there. However, today its usage has been tremendously accelerated and become sophisticated. It destroys sales comparisons by area, and local sales and marketing plans are derailed."

Colgate (UK) sued Juda Bak, a Belgian businessman operating in London, after he imported several large consignments of Colgate toothpaste to the UK from Brazil, where it was made under licence with an export market restricted to Bolivia, Paraguay, Chile and Nigeria.

Inferior quality. Colgate (UK) told the High Court that because of price restrictions and a shortage of raw materials in Brazil, the toothpaste made there relied on local chalk as a main constituent and was of "inferior" quality compared with the toothpaste made in the UK.

Bak, who was found guilty in the High Court of passing off (one product as another) and infringement of trademark, said he was unaware that the consignments of toothpaste from Brazil to London had been granted an export licence on the understanding that they were destined for Nigeria.



"IT TASTED LIKE CHALK. I WANTED A TOOTHPASTE"

Justice Falconer, the High Court judge, said Limatada, the company manufacturing the toothpaste in Brazil under licence from Colgate (US), "were deceived as to the real destination for which the products were intended." He agreed with Colgate (UK) that shoppers who bought the toothpaste in Britain, where it was sold to retailers at up to 15% lower than the UK-produced Colgate, "had been deceived and, being dissatisfied, had complained. It was plain these misrepresentations would result in damage to Colgate's reputation in the UK.

Bak is appealing against the judgment. "Colgate cannot complain if it produces, throughout the world, products of different quality. This case shows that big companies now want to clamp down on diversion," said his solicitors, S.J. Birwin & Co. of London.

Bak's solicitors are confident of winning their appeal but Ann Harper, a legal expert working for Colgate (UK), said the company would consider taking the case to the House of Lords, Britain's highest law court, if it lost the case. "We want to stop this happening again if we can. This toothpaste was coming in such large quantities that it was damaging our reputation and denting our market share."

The International Chamber of Commerce (ICC) has also voiced its concern over diverting. Giles Wyburd, ICC director in London, said: "We want to protect consumers against being misled. But we make it quite clear that it is contrary to European Community law for there to be any restrictions on parallel imports (diversions) within the community."

In Washington, the NFBA said many senior managers were aware that their own sales force was diverting their products. "Diverting, particularly organised diversion, can exist

Diverters are not latter-day smugglers but well-organised businessmen who obtain branded goods from cheap markets and sell them in high-priced ones

only when manufacturers consciously support the activity. Sales organisations either knowingly contribute or are passive about its operation," according to the NFBA.

A spokesman for Revlon, which lost its case in the UK courts over what it claimed was illegal diversion of its shampoo from the US, suggested that senior management in some multinationals turned a blind eye to diverting and on occasion took advantage of it.

"A lot of the time diverters are used by companies to get rid of stuff which is old. It's a way of inventory clearance." the Revlon spokesman said.

"A product which is a poor seller in one country may be sold to a known diverter to maintain turnover and sales. Nobody likes a diverter but everybody needs them."

■ *Tim Burt*
(By special arrangement with the Financial Times, London).

SODA ASH

EUROPEAN CARTEL?

Possible market rigging by European producers of soda ash, a chemical widely used in the glassmaking and detergent industries, is being investigated by the European Commission (EC).

Its inquiries follow dawn raids by EC inspectors on company offices last month.

The activities of six large chemicals companies — Solvay of Belgium; the UK's Imperial Chemical Industries; Rhone Poulenc of France; Akzo of the Netherlands; and Henkel and Kalk, both of West Germany — are under scrutiny. Kalk is 75% owned by BASF, Europe's biggest chemical group.

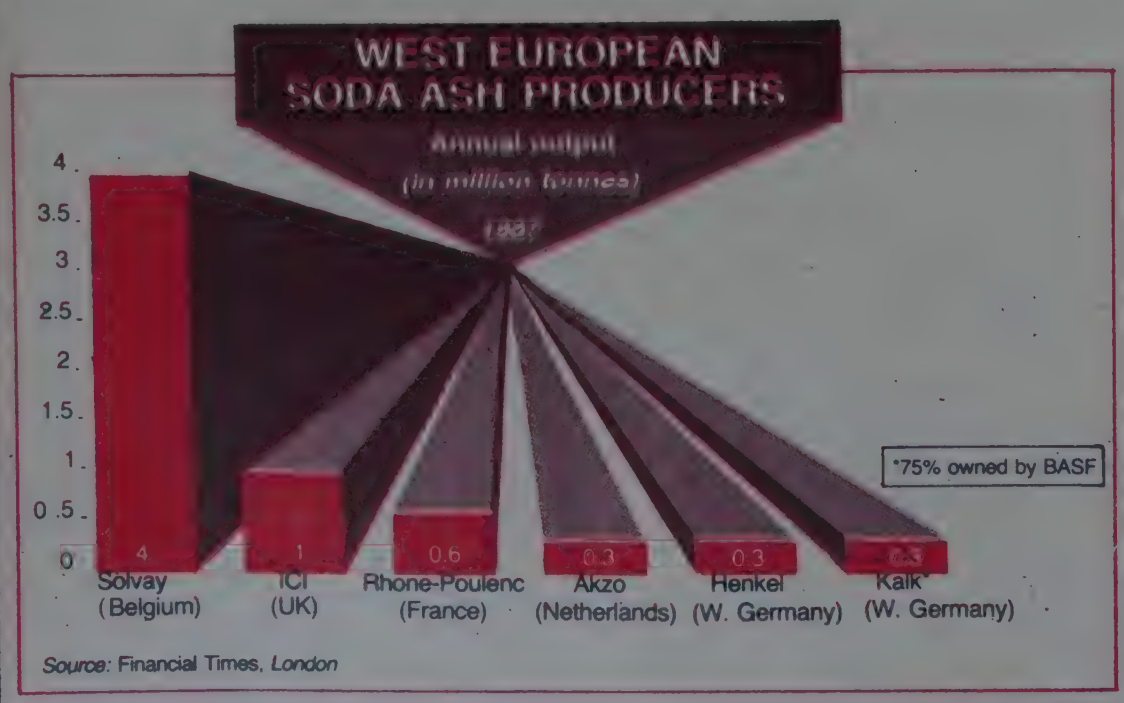
The inquiry follows a recent heavy fine by the EC on a group of 23 European chemicals businesses for operating a cartel in plastics. The inquiry also follows a suggestion by US soda ash producers that the European market should be opened to competition from the US.

Soda ash, of which an estimated 8 million tonnes a year is used in Western Europe, sells at an average $200 a tonne in Europe — roughly twice the US price. US producers have complained to EC officials that they are prevented from exporting to Europe by a heavy dumping duty. This was imposed in 1983 and has lifted the price of US-imported soda ash to roughly the European level.

The Connecticut-based American Natural Soda Ash Corporation, owned jointly by US producers and representing their interests in export markets, has made representations to the EC. Said John Andrews, its president: "We have not made any allegations of a cartel among European producers. We have said that the structure of the market is less competitive than it should be."

Oligarchical market. He said he thought the soda ash market in Europe was an "oligarchy" in which

American companies can sell soda ash at half the European price. But they are prevented from exporting profitably to Europe by a heavy dumping duty



Source: Financial Times, *London*

European producers sold on a regional basis without real competition. Andrews said his association's owners, which include FMC, Kerr-McGee, General Chemical and Tenneco, would be able to sell up to 250,000 tonnes of soda ash a year in Europe, if dumping duties were removed.

Two other members of the US association are Stauffer and Texas Gulf, which are owned in both cases by French companies — Rhone-Poulenc and Elf Aquitaine.

US producers can sell soda ash relatively cheaply because their production costs are low. Natural deposits of the material exist in Wyoming and California, whereas European companies have to operate a complex manufacturing process involving the addition of ammonia and brine to limestone. US production of soda ash stands at about 8 million tonnes a year, of which roughly a quarter is exported.

Solvay, the world's biggest producer with an estimated output of 4 million tonnes a year, said it had no comment to make because the commis-

on had made no formal allegations. owever, a Solvay spokesman said at in common with the other five ompanies, it had cooperated fully ith EC inspectors who, after spend- g two days at its Brusssels head- uarters, had left with a pile of photo- opied documents "half a metre igh."

The EC recently fined 23 European hemical companies, including ICI nd Solvay, a record total of Ecus 60 illion for attempting to carve up the narket for polyvinyl chloride and ow density polyethylene,two widely sed plastics.

It has also recently won the support f the European Court in its attempts o compel companies to cooperate ith inquiries into possible anti- ompetitive cartels, which are illegal nder the Treaty of Rome.

The Committee for the European lass industry in Brussels said that it oined US soda ash producers in sking the commission to lift dump- ng duties on US soda products — or t least to ensure that the duty is not enewed beyond its expiry date next November.

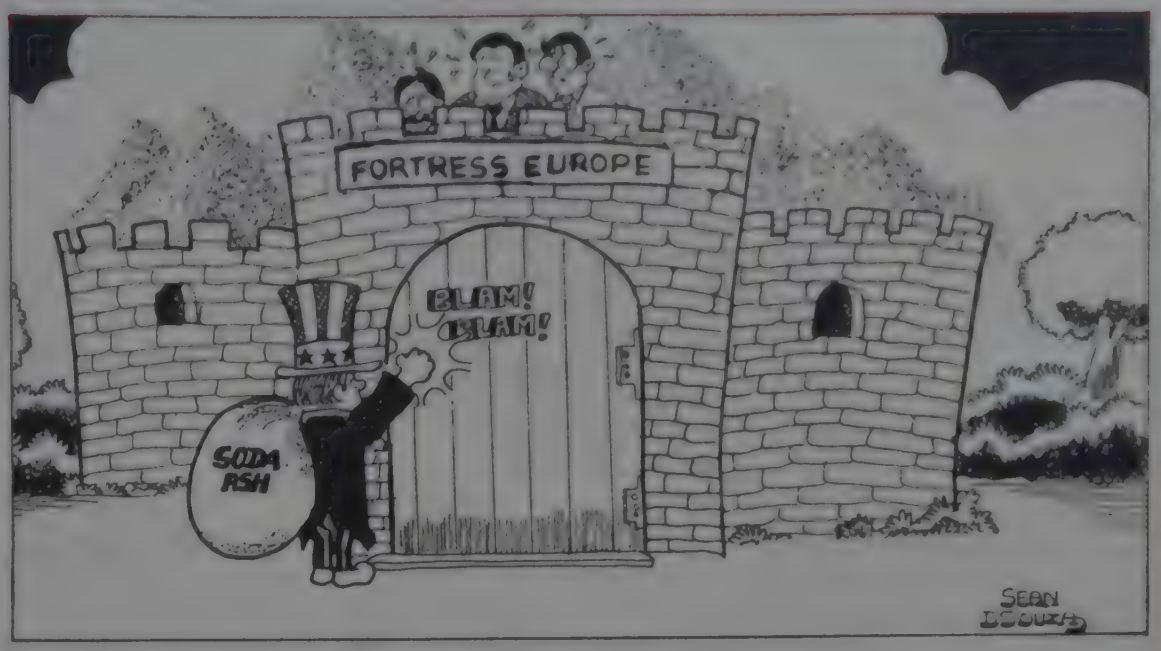
Market arrangement. According to ome reports, the market appears to ave been so arranged as to give Sol- ay market predominance in Bel- ium, Spain, Portugal and a part of Germany.

Under this arrangement, according o the reports, ICI has the UK and Ire- and, Rhone Poulenc the French mar- et, Akzo the Dutch market and a part f Belgium, with Kalk and Henkel di- iding the rest of the German market etween them. This would roughly orrespond to where the companies ave soda production facilities. Sol- ay's operations in Spain and Ger- nany were also visited by EC inspec- ors last month.

The investigation by European Commission officials into possible rice fixing in Western Europe's £1 illion-a-year soda ash industry is the atest in a series of problems for this ard-pressed sector.

For much of the past decade, the usiness has been very much a poor elation in the chemicals industry as whole. Soda ash (sodium carbonate) s highly unexciting. Its production rocess has barely altered for 100 ears.

The manufacturing method, which nvolves adding ammonia and brine o limestone, is highly energy inten-



sive and the industry has had a tough time keeping down costs.

Added to this, the European industry has had to battle to keep output at reasonable levels because of static or barely rising demand from customers.

While much of the chemicals industry has experienced good demand for its products in recent years due to buoyant economic conditions, these factors have done little to help soda ash producers.

Glass output recently has been fairly flat, due to competition from other materials such as plastics packaging. In detergents, manufacturers have during the 1980s been increasingly using sodium hydroxide instead of soda ash. This is a byproduct in chlorine production, and for much of this decade has been significantly cheaper than soda ash.

Sodium carbonate now sells at about £125 a tonne in Europe. In contrast to prices across the rest of the European chemicals business, which have risen steeply over the past two years, soda ash prices have been virtually static since the mid-1980s.

The European Commission is looking into allegations that European soda ash manufacturers are operating as a cartel

Another headache for the beleaguered European industry is the existence of cheaper supplies of natural sodium carbonate in other parts of the world including the US, Turkey, Kenya, Tanzania and South Africa. In these places, the material is obtained from a mineral called trona and is significantly cheaper.

Unhappy state. In the early 1980s, soda ash imports, especially from the US, were a problem for the European industry. But the difficulties have eased, thanks largely to tariffs imposed by the Commission in 1983 on supplies from the US.

With the unhappy state of the soda ash business generally, people in the chemicals sector say they would not be surprised if some kind of agreement on markets and prices had existed among the main European suppliers.

"I think you can say that a practice of what you might call 'orderly marketing' has been in place," said one executive. Another observer, who also said he did not want to be named, agreed he thought some kind of market sharing had taken place. "But I have some sympathy for the suppliers. They are in a difficult business and this kind of arrangement is possibly the only way they can survive."

Whatever the outcome of the Commission's inquiries, its officials are clearly in a mood to get to the bottom of the affair.

■ *David Buchan, Peter Marsh*
(By special arrangement with the Financial Times, London)

ACROSS THE BORDER AND BACK

Farmers in the 12 European Community (EC) nations have been trying to outdo each other in their bid to take illegitimate advantage of the EC's common agricultural policy — which includes price support subsidies, export incentives and import equalisation. Under this policy, the EC is to disburse $27.5 billion this year to farmers.

Take an example from Northern Ireland. On the pretext of exporting, farmers have been shuttling to and fro across the border with the same grain and livestock consignments to collect an EC farm subsidy (a monetary compensation amount which is given due to currency fluctuations) with each passing.

The French have gone one better. They clip off the ears of cattle to present them as proof of slaughter and collect EC cash grants. Back home on French dairy farms, earless cows continue to produce EC subsidised milk. In Hamburg, West Germany, a meatpacker has got caught adding sand to beef so that he could claim higher export subsidies based on weight.

Normally, the farmers have been pulling in some $4.5-$6 billion each year through such means. In spite of a vigilante force being set up, their take should go up this year.

After all,what can a pack of 150 do against an army of more than a million cheats.

TOEING THE JAPANESE LINE

After the Japanese, it's the turn of the South Koreans to dabble in American real estate. This has been made possible following the lifting of curbs by the S. Korean government on its citizens investing in overseas property. And the Koreans have responded.

Korean Airlines, almost immediately after the government announcement on 1 March, snapped up the Los Angeles-based Hilton hotel for $170 million from the Reliance Development Group, a California-based developer. And other S.Korean investors are negotiating to buy the Wilshire Hyatt hotel in Los Angeles.

Though US real estate executives are hoping that a big chunk of Korea's 1988 $14 billion current account surplus will find it way into US property, it will be a long time before the S.Koreans can match the $22 billion the Japanese have pumped into US property over the past five years.



BOEING BAGS A BIG ORDER

JUMBO ORDER FOR AIRCRAFT

Aeroplanes are big business. The Ireland-based Guinness Peat Aviation (GPA) group, the world's largest aircraft leasing company, has ordered or placed options on 308 aircraft valued at about $17 billion.

Boeing Co. of the US has garnered $9.4 billion worth of the order. This order, the largest Boeing has ever received, includes 92 Boeing 737s, 50 Boeing 757s and 40 Boeing 767s making a total of 182 aircraft. Airbus Industrie has got an order for 42 aircraft with options for another 12, for $4.3 billion. GPA has also ordered 72 aircraft from McDonnell Douglas.

By placing these orders, GPA's share of total aircraft purchased during the mid-nineties will be 10%.

A FUSION OF SHARES

Investors in Japan have a penchant for running after scrips. They are piling their investments on the atom these days.

This investment explosion commenced with the announcement made by two scientists that the nuclear fusion that lights the sun can be reproduced in a test tube at ordinary temperatures. Martin Fleischmann and Stanley Pons, the scientists who made the claim, said that there is no need to spend millions in building a furnace to conjure up "cold nuclear fusion."

By mid-April, stocks of Mitsubishi Metal, Nippon Mining and Sumitomo Metal Mining — suppliers of palladium, a rare metal used as an electrode in the nuclear experiment — shot up. Similarly, investors are grabbing shares of Toho Titanium and Osaka Titanium which are likely suppliers of casing materials for future fusion machines. Next, Toshiba and Fuji Electric shares shot up because of the companies' background in manufacturing electrical generating equipment.

But the pick of the chips was the share of Showa Denko, which is Japan's only supplier of heavy water, the liquid fuel for room temperature fusion. The price of the share shot up from ¥1,000 to ¥1,400 following the announcement.

STOCK UNITS BUNDLED

The much trumpeted unbundled stock unit (USU) created by Shearson Lehman Hutton has gone the way of all flesh. Last month, Shearson announced that the USU was 'dead.' A novel instrument, the USU envisaged a company buying back shares from investors and subsequently dividing each share into a bond, a preferred share and a warrant.

Back in December, Shearson had announced amid much fanfare that four giants — Dow Chemical, Sara Lee, Pfizer and American Express — had agreed to swap upto $5.6 billion of their stock for the USUs. What caused its demise? Investors decided that it took away their voting rights and protested to the Securities & Exchange Commission (SEC).

Institutional investors doubted that the broken up securities would be worth more than one share and declined to exchange their shares. Besides, most importantly, the SEC couldn't accept Shearson's radical idea of promoting the USU.

EGALISED KICKBACKS

Bribes and kickbacks may be dirty words in ndia but, according to the *ndia Abroad News Ser-vice*, the Canadians merely see them as tax-deductible business expenses thanks o a loophole in the Cana-dian Income Tax Act.

Following a recent con-troversy on this point, the Canadian tax department issued a circular to explain its position regarding "ex-penditures that are not supported by proper vouchers."

The circular explains that such expenditures can subsequently be written off if two conditions are met. First, people claiming the bribery deduction have to identify the recipient of the payments. Second, they have to prove that the payments were made to earn income and the amount was reasonable under the circumstances.

The Canadians claim they are driven by pragma-tic considerations. A docu-ment on doing business in India prepared by the Canadian external affairs department, says bribes are a necessary evil in India but warns Canadians to carefully assess the claims of speedy action by the person who demands bribes before dipping into their pockets.



THE NEW LOOK TYPHOO IS SET TO GO PLACES

STORM IN A TEACUP

If you are in an industry which is shrinking and want to revitalise it, what can you do? You could try the strategy of Premier Brands, a UK-based tea marketer. Premier is spending more than £15 million to stir up the tea market which has been ex-periencing decreasing volumes of late.

Twenty years ago, six cups of tea were drunk for every cup of coffee in Bri-tain. Today the ratio is two of tea for one of coffee. The tack that Premier is follow-ing is redesigning the packaging of its teas. Its leading brand Typhoo tea bags will now be packed in foil pouches which will be placed in a rigid carton having a tear strip opening. Earlier, an uninspiring flimsy carton covered by cellowrap was Typhoo's packaging, as it is for sever-al other British companies' teas even today.

Premier has bought packaging machinery (which is awaiting a pa-tent) for its exclusive use in the UK at a cost of £8 million. It is splurging £4 million on a national TV campaign designed to reach 90% of housewives, 15 times each. The com-pany is also planning to spend £1 million on re-launching its Ridgways brand of speciality teas us-ing only natural flavour-ings.

Premier is hoping that it can teach a teatime lesson to major rival Brooke Bond whose teabag brand Oxo commands 30% of the UK market as against 21% for Typhoo. There seems to be a storm blowing in the teacup!

A PACKAGED MERGER

With the merger of the packaging interests of MB Group plc with those of Carnaud SA of France, a packaging jugger-naut has emerged in Europe. The merger pack-age involves the sale of a 6% holding in the group by Elders Investments — a subsidiary of Australian brewing giant Elders IXL Ltd. — to Carnaud's con-trolling shareholder, Cam-pagnie Generale d'Indus-trie et de Participations (CGIP). The price is a cool £74 million.

The deal which had been cooking since Octo-ber last year finally got the go-ahead in mid-April and a new company, CMB Packaging, is being set up. MB and CGIP will hold a 25.55% stake each in the new outfit, with remainder of CMB's equity being owned by existing MB and Carnaud shareholders.

RAMADA HAWKS OFF HOTEL CHAIN

US-based Ramada Inc. has finally hawked off its hotel operations. And, the buyer is the Hongkong-based New World De-velopment Co.(NWDC), a hotel and property de-velopment company. Last October, the American hostelry had announced that it was looking for a buyer for its 825 hotels worldwide. However, it decided to retain its casi-nos in New Jersey and Nevada. The move, it is rumoured, was prompted by an unfriendly takeover bid from Chicago's Pritzker family.

Under the agreement, a subsidiary of NWDC will provide $335 million of the $540 million being paid, with another US-based hotel concern Prime Motor Inns Inc., chipping in the rest. Prime Motor will manage the 500 plus US-based Ramada hotels while NWDC will look af-ter the 200 or more Rama-da hotels outside the US. The brandnames Ramada, Renaissance and Rodeway, under which the hotels are run are part of the deal and come NWDC's way.

Ramada, however, will have to come up with a new name for its US-based gambling opera tions.

RED PREDATOR

Corporate buyouts are not always the exclu-sive territory of capitalists. And the People's Republic of China is out to prove this point.

By the end of last year, China's overseas invest-ments totalled about $2 billion. And now, in one of Beijing's biggest overseas purchases, the China National Metals and Minerals Import and Ex-port Corp(Minmetals) has bought New Zealand Steel for an undisclosed price. (*The Financial Times* esti-mates it at around $243 million.)

Analysts believe that the rationale of the deal is to provide China with reli-able supplies of high tech-nology steel which it can-not make at its own plants. Last year China had to spend $4.43 billion in pre-cious foreign exchange to import 9.13 million tonnes of steel.

China, it seems, has finally got rid of the Maoist dogma of producing every-'thing in its own backyard.

BUSINESSWORLD STOCKMARKET TABLE

	INDUSTRY/COMPANY	FACE VALUE (Rs)	YEAR ENDED	SALES (Rs crores)	EQUITY CAPITAL	COMPOUND GROWTH OVER 5 YRS (%) IN EARNINGS	IN DIVIDENDS	EPS (Rs)	P/E 28 APR	P/B.V 28 APR	PAYOUT	SHARE PRICE 28 APR (Rs)	MK.CAP 28 APR (Rs crores)	%CH.CAP Over 28 APR
I.	**AUTO ANC & TYRES**													
1.	CEAT	10	30/06/88	364.38	14.76	41.22	20.49	13.60	10.66	2.92	0.15	145.00	214.02	13.73
2.	CHLORIDE	10	31/08/87	188.40	20.66	13.29	17.42	5.05	16.63	4.67	0.61	84.00	173.54	-1.18
3.	MICO	100	31/12/87	183.73	38.05	18.24	10.22	33.88	18.89	2.94	0.35	640.00	243.52	0.00
4.	MODI RUBBER	10	30/04/88	400.13	14.53	23.21	4.76	10.20	11.52	3.04	0.18	177.50	170.75	10.59
II.	**BASIC CHEMICALS**													
5.	NOCIL	100	31/12/87	288.10	36.00	49.84	16.14	48.22	18.77	3.56	0.41	905.00	325.80	5.23
6.	TATA CHEM	10	31/03/88	230.40	36.19	- 8.63	27.27	2.03	59.36	2.34	1.48	120.50	436.09	1.69
III.	**BASIC METALS**													
7.	HINDALCO	10	31/12/87	372.05	17.81	39.94	9.89	11.48	27.66	7.41	0.15	317.50	565.43	19.81
8.	INDIA FOILS	10	31/12/87	104.90	4.38	16.20	18.83	4.79	14.61	1.71	0.44	70.00	30.66	0.00
9.	MUKAND IRON	10	30/06/88	303.02	14.74	20.11	12.76	8.08	15.28	8.02	0.21	123.50	182.04	17.62
10.	TISCO	100	31/03/88	1526.78	155.89	8.51	14.28	59.11	24.62	3.41	0.33	1455.00	2268.20	12.46
IV.	**CEMENT**													
11.	ANDHRA CEMENT	10	31/03/88	43.55	11.94	N.A.	-100.00	-11.93	-0.96	1.49	0.00	11.50	13.73	-4.19
12.	ACC	100	31/07/88	798.13	55.96	-19.68	-3.67	12.24	25.41	0.84	0.64	311.00	174.04	-5.76
V.	**CHEM INTERMEDIATES**													
13.	BASF	10	31/12/87	59.30	4.26	10.15	15.88	4.83	30.64	4.51	0.28	148.00	63.05	1.37
14.	COLOUR CHEM	100	31/03/88	86.51	7.94	10.81	4.63	37.53	13.06	1.93	0.53	490.00	38.91	-6.67
15.	DEEPAK NITRITE	10	31/10/87	23.60	2.43	10.30	5.05	3.99	19.55	2.94	0.36	78.00	18.95	-4.92
VI.	**COMM VEHICLES**													
16.	BAJAJ TEMPO	10	30/09/87	152.91	6.58	-25.31	4.06	2.64	53.03	1.90	0.47	140.00	92.12	9.38
17.	MAH & MAH	10	31/10/87	599.28	19.26	1.11	9.40	5.76	18.58	2.31	0.38	107.00	206.08	3.38
18.	TELCO	100	31/03/88	1402.55	90.97	4.92	12.24	29.63	29.36	2.93	0.48	870.00	791.44	5.46
VII.	**CONS DURABLES**													
19.	ASIAN PAINTS	10	31/12/87	201.72	12.45	32.95	30.02	10.07	19.99	5.54	0.30	201.25	250.56	-3.01
20.	PEICO	10	31/12/87	385.93	33.32	1.54	-8.12	1.04	26.92	1.44	0.96	28.00	93.30	9.80
21.	VIP INDUSTRIES	10	31/07/88	67.42	5.99	-4.21	N.A.	1.22	15.57	1.00	1.23	19.00	11.38	-17.42
VIII.	**COTTON TEXT**													
22.	CENTURY SPG	100	31/12/87	521.27	26.62	15.65	14.96	97.82	19.42	3.22	0.31	1900.00	505.78	1.88
23.	MADURA COATS	10	30/06/88	258.49	21.81	11.31	15.56	6.49	15.25	3.42	0.46	99.00	215.92	2.06
24.	RAYMONDS	10	31/03/88	235.71	22.48	15.95	34.70	3.43	23.76	2.62	0.73	81.50	183.21	3.82
IX.	**DOMES CONS PROD**													
25.	COLGATE	10	31/12/87	182.20	15.72	27.89	24.19	9.63	36.09	17.68	0.52	347.50	546.27	-2.11
26.	HINDUSTAN LEVER	10	31/12/88	845.41	93.32	11.61	23.44	5.23	15.68	3.78	0.61	82.00	765.22	0.00
27.	ITC	10	30/06/88	1190.45	33.17	20.17	13.21	7.47	12.72	3.42	0.47	95.00	315.12	28.38
28.	McDOWELL	10	30/06/88	157.19	7.74	-1.73	39.89	9.23	10.56	1.84	0.18	97.50	75.47	1.57
29.	RECK & COLMAN	10	03/01/89	71.39	8.40	25.00	27.05	8.10	23.77	7.32	0.37	192.50	161.70	8.45
X	**ELEC. ENGG**													
30.	BEST & CROMP	10	31/12/87	169.21	7.09	-20.75	-7.07	1.10	40.91	1.23	0.58	45.00	31.91	-13.45
31.	FINOLEX CAB	10	30/11/87	60.58	3.24	50.69	32.42	25.22	14.27	7.00	0.09	360.00	116.64	-3.36
32.	GENELEC	10	30/06/88	52.70	2.16	12.13	-0.86	6.48	7.33	1.34	0.23	47.50	10.26	21.85
33.	OTIS	10	30/11/87	54.28	5.04	18.55	15.36	7.58	25.40	6.62	0.33	192.50	97.02	-6.10
34.	SIEMENS	10	30/09/88	223.00	20.77	4.23	11.29	3.27	23.85	2.05	0.49	78.00	162.01	-2.50
XI	**EQUIP. MANUF**													
35.	INGERSOLL	10	31/12/87	77.14	7.89	21.93	15.81	10.99	32.76	9.72	0.27	360.00	284.04	-5.26
36.	KIRLOS CUMM	10	30/09/88	186.20	26.40	6.01	20.56	4.32	17.36	2.87	0.52	75.00	198.00	-1.64
37.	MATHER & PLATT	10	30/06/88	46.92	10.24	15.18	16.31	3.60	13.61	3.00	0.43	49.00	50.18	-1.99
XII.	**FERTILISER**													
38.	GSFC	10	31/12/87	357.40	26.94	23.47	15.88	13.07	11.19	2.00	0.23	146.25	393.94	-3.31
39.	SPIC	10	31/12/87	391.00	34.42	-23.16	N.A.	1.47	40.14	2.00	1.01	59.00	203.08	-9.23
XIII.	**FOOD PROD**													
40.	BRITANNIA	10	30/11/87	192.10	12.38	23.92	16.60	6.37	16.09	3.80	0.38	102.50	126.90	-1.20
41.	BROOKE BOND	10	30/12/88	639.94	24.73	24.33	15.97	9.84	15.50	5.33	0.38	152.50	377.13	3.04
42.	HIND COCOA	10	30/06/88	73.70	8.40	16.55	21.10	4.45	24.61	5.13	0.45	109.50	91.98	-4.78

TISCO EXCELS

Equities on the stock exchanges continued to boom on sustained speculative buying coupled with hectic bear covering during the fortnight ended 28 April. The substantial tax concessions and reliefs aggregating to Rs 123.2 crores announced by the Union finance minister bolstered the sentiment. The flow of encouraging corporate news aided the trend. Even the imposition of fresh restrictions on trading in Tata Steel and Telco by the Bombay stock exchange authorities had little impact on the market.

Confirming the bullish trend in equities, the *Economic Times* index of ordinary shares flared up from 399.7 on 13 April to reach an all-time peak of 415.6 on 28 April — a spectacular rise of 3.97%. *The Financial Express* equity index advanced from 570.18 to 611.52 during the same period. The *BusinessWorld* index rose to 209.19 on 28 April from 203.18 on 13 April.

The highlight of trading during the

BUSINESSWORLD STOCKMARKET TABLE

	INDUSTRY COMPANY	FACE VALUE (Rs)	YEAR ENDED	SALES (Rs crores)	EQUITY CAPITAL	COMPOUND GROWTH OVER 5 YRS IN EARNINGS	IN DIVIDENDS	EPS (Rs)	P/E 28 APR	P/B.V 28 APR	PAYOUT	SHARE PRICE 28 APR (Rs)	MK CAP 28 APR (Rs crores)	%CH CAP Over 13 APR
XIV.	**HEAVY ENGG PROJ**													
43	ELECON ENGG	10	31 12 87	113.00	5 65	0 89	13 60	4 60	13 04	1 11	0 33	60.00	33 89	0.00
44	GAMMON	10	30 07 88	103 22	2 16	1 84	2 38	2 73	40 29	1 50	0 66	110.00	23 76	8 33
45	HIND DORR	10	30 11 87	42 66	2.38	25 48	14 03	16 43	9 13	2 69	0 23	150.00	35 70	21 05
46	ALFA LAVAL	10	30/11/87	51.00	5.21	15.13	15.63	5.37	22.81	2.15	0.34	122.50	63 82	6 51
XV	**LIGHT ENGG**													
47.	SKF BEARING	100	31/12/87	83.86	12.35	15.64	7.60	87.77	33.72	8.54	0.25	2960.00	365 56	4.96
48	BHARAT FORGE	10	30 09 87	120 10	11 42	33 86	6.63	5.76	20 83	3 59	0 22	120.00	137 04	4 35
49.	IND OXYGEN	10	30 09 87	131 00	14.60	- 9.51	1 03	2.16	23 15	2 35	0 74	50.00	73 08	4 17
50.	SANDVIK ASIA	100	31/12/88	45.81	5.78	9.31	12.33	46.89	15.99	2.97	0.53	750.00	43.35	1.36
XVI.	**MULTI PRODUCTS**													
51.	IEL	10	30/09/87	478.41	40.87	- 17.55	- 3.37	1.24	50.00	2.20	1.06	62.00	253.39	12.72
52.	LARSEN & TOUBRO	10	30 09 87	573 10	60.75	7.47	15.43	4.55	22 64	2 80	0.41	103.00	625 73	0 00
53.	RALLIS	10	31/05/88	261.66	9.52	14.72	20.80	4.86	28.81	3.49	0.62	140.00	133.28	- 3.45
54.	VOLTAS	100	31/08/87	544.70	12.78	16.68	12.34	75.89	9.09	2.00	0.29	690.00	88.18	- 1.43
XVII.	**PASS VEHICLES**													
55	BAJAJ AUTO	10	30/06/88	552.83	18.82	30.54	28.68	15.54	28.39	3.85	0 26	441.25	830 43	0.86
56	KINETIC ENGG	10	30/06/88	101.91	1.20	22.51	21.92	31.33	5.90	1.15	0 13	185.00	33.20	1.37
57	HIND MOTORS	10	31/03/88	429.99	26.41	NA	- 7.20	- 1.02	- 47.79	1.63	- 0.74	48.75	128.75	9.56
XVIII.	**PEST & AGROCHEM**													
58.	BAYER	100	31/12/87	111.70	16.22	9.38	12 80	27 19	32.00	5.16	0.59	870.00	141.11	0.00
59.	SEARLE	10	31/12/87	35.00	5.22	35.23	20.34	5.34	23.41	3.21	0.25	125.00	65.25	- 10.71
XIX.	**PHARMA**													
60.	GLINDIA	10	30/06/88	230.13	20.00	14.50	8.10	5.08	20 47	4 36	0.39	104.00	208.00	13.04
61.	HIND CIBA	100	31/12/87	176.80	17.71	6.26	13.26	38 17	28.29	3.87	0.52	1080.00	191.27	11.92
62.	HOECHST	100	31/12/87	158.81	9.58	- 16.27	- 6.52	13.67	63 64	2.35	0.73	870.00	83.35	1.17
XX.	**PLANTATIONS**													
63	ASSAM CO	10	30/06/88	46 88	7.00	39 73	42 02	7 59	20 09	3.85	0.53	152.50	106 75	17 31
64	McLEOD RUSSEL	10	30/06/88	61 50	6.25	34.22	24 65	10.32	10 66	2 40	0.35	110.00	68.75	18 27
65	TATA TEA	10	31/12/87	151.10	12.20	24.81	N A.	9.04	17.48	2.88	0.50	158.00	192.76	5.69
XXI.	**PLASTICS & PAPER**													
66	BALLARPUR	10	30/06/88	371.00	13.98	- 3.45	- 1.17	3.44	51 31	3.04	0 64	176.50	246 75	38 43
67	BHADRACHALAM	10	30/09/87	48.85	10.57	- 4 64	7.84	4.16	18.03	3.13	2.00	75.00	79.28	41.52
68	GARWARE POLY	10	30/06/88	102.82	10.94	19 25	23.48	5.29	14.41	2.36	0.29	76.25	83 42	- 1.62
69	SUPREME IND	10	30/06/88	68.92	1.80	32.68	31.43	18.67	11.25	4.60	0.19	210.00	37 80	- 4.55
XXII.	**POWER GENERATION**													
70.	CAL ELEC SUPP	10	31/03/88	358.72	16.95	9 44	10.82	4 93	4.77	0.47	0.32	23.50	39 83	- 16 08
71	TATA POWER	100	31/03/88	342.42	20.00	14.09	11.91	86.10	4.30	0.77	0.21	370.00	74.00	11.28
XXIII.	**SERVICE IND**													
72	EAST IND HOTELS	10	31/03/88	80.25	23.61	1.77	3.69	2.94	19.39	2.12	0.52	57.00	134.58	7 55
73.	HDFC	100	30/06/88	106.20	19.79	33.12	27.37	65.45	3.04	0.91	0.26	199.00	39 38	0 00
74	20TH CENT FIN	10	30/03/88	28.02	8.88	23.76	49.01	3.16	5.38	0.81	0.85	17.00	15.10	- 10.49
75.	TATA UNISYS	10	31/12/87	27.12	4.38	- 1.18	12.19	3.54	20.48	3.97	0.62	72.50	31.76	- 3.32
XXIV.	**SHIPPING**													
76	ESSAR SHIP	10	31/12/87	60.50	33.42	8.46	25.04	2.33	10.41	1 14	0.86	24.25	81 04	- 3.00
77	GR EASTERN	10	30/06/88	112.55	55.66	12.54	7.85	1.69	26.18	2.60	0.51	44.25	246.30	1.73
XXV	**SYNTHETIC TEXTILES**													
78	CENTURY ENKA	100	31/12/88	308.79	16.61	37.53	20.82	223.24	12.77	4.23	0.19	2850.00	473 39	5 17
79	GRASIM	10	31 03 88	675.67	37.78	16 35	6 46	4.39	30 75	3.41	0.36	135.00	510 06	11.57
80	RELIANCE	10	31 06 88	1778.19	152.04	15.36	42.28	3.45	39.57	2.04	0.70	136.50	2075 35	- 10.78
	TOTAL			22844.26	1773.56								19358.75	

BUSINESSWORLD INDEX (28 APR) = 209.19 31 APR = 203.18 (BASE 29 JUNE 1987 = 100)

EPS = EARNINGS PER SHARE P/E = PRICE EARNINGS RATIO P/B.V. = MARKET PRICE TO BOOK VALUE %CH.CAP PERCENTAGE CHANGE IN MARKET CAPITALISATION

fortnight was the unprecedented rise in Tata Steel which shot up from Rs 1,293.75 to Rs 1,455 on massive speculative buying by Calcutta operators. Marketmen felt that the profits of the company for 1988-89 could be very high.

Cotton textiles equities were in the limelight on investment support and the absence of fresh offerings.

Pharmaceutical shares were in good shape on reports of a further liberalisation in the drug industry. Transport vehicles scrips were also in good demand. Tyre and tube shares zoomed on speculative buying.

"Equities on stock exchanges are likely to remain buoyant because the results of giant companies like Tata Steel and Telco are anticipated to be highly encouraging," says Hemant Kampani, a partner in Jamnadas Morarjee & Co., the oldest stockbroking firm in Bombay.

■ *S. Dhruv*

NEW ISSUES

Videocon International was promoted in 1985 by the Videocon group for setting up a sophisticated unit at Aurangabad (Maharashtra) to manufacture colour TVs, TV components and cabinets.

Videocon is now embarking upon an expansion-cum-diversification programme. Production capacities of various products, are to be raised. The company will also be going into new lines such as picture tubes and loudspeakers.

The programme will cost Rs 66 crores. It is to be part financed by a Rs 30 crore issue of convertible debentures (CD). Each CD will have a face value of Rs 200 and will consist of three parts.

Part A representing Rs 25 will be converted into one fully paid up equity share of Rs 10 at a premium of Rs 15 six months after the date of allotment. Part B of Rs 50 will be converted into equity 18 to 24 months after allotment. The terms of conversion (the number of shares and the premium) will be decided by the controller of capital issues. Part C of Rs 125 will be similarly converted 24 to 36 months after allotment.

The Videocon group has done very well in a short span of time. The group is investor friendly and Videocon International is quoting at around Rs 115.

Based on the group's performance, the CD's appear very attractive.

Issue opening date: 16 May 1989.

Wartsila Diesel, promoted in 1986 to service the network of power plants imported from Wartsila Diesel of Finland, has now decided to manufacture these plants in India.

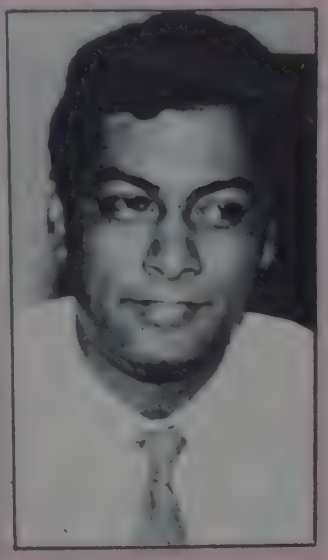
The participants in the venture are Oy Wartsila, Finland, Shapoorji Pallonji & Co. and Banaras House Ltd. A Rs 22.20 crore plant to manufacture high power diesel generating sets is being set up at Khopoli in Maharashtra. Commercial production is expected to commence around October 1989.

To part-finance the project, the company is issuing 40 lakh equity shares at par.

The company's prospects appear bright and the issue is recommended.

Issue opening date: 9 May 1989.

Steel Strips Wheels was incorporated on 28 February 1985 as a public limited company under the name Punjab Wheels Ltd. The company has been promoted by R.K. Garg, Steel Strips and the Punjab State Industrial Development Corporation. A project to manufacture 10 lakh wheels per annum is being implemented at a cost of Rs 17.30 crores. The equity component will be Rs 6.78 crores.



There are a handful of new issues worth investing in. Many of them are of existing, profit-making companies

The plant is to go on stream in October 1989 and the company expects a turnover of around Rs 8 crores and a profit before tax of Rs 1.10 crore in the first year. For the second year, the turnover is projected at Rs 9.60 crores and the pre-tax profit at Rs 3 crores.

The long term prospects for this company appear reasonably good.

Issue opening date: 10 May 1989.

Seren-Tronics (India), promoted by a group of non-resident Indians and local industrialists, has set up a project to manufacture 33,000 square meters (sq.m.) of flexible circuits and 10,000 sq.m. of rigid printed circuit boards per annum in Gujarat.

The total project cost, estimated at Rs 3.11 crores, is to be raised through equity of Rs 1.50 crores (with the existing paid-up capital being Rs 60 lakhs and the present issue Rs 90 lakhs), term loans of Rs 1.36 crores and state investment subsidy of Rs 25 lakhs.

Being a 100% export-oriented unit, the company will not have to pay customs, excise and other central levies.

The first year's turnover has been placed at Rs 6 crores. However, investors would be prudent to wait until operations get stabilised.

Issue opening date: 9 May 1989.

Switching Technologies Gunther has been promoted by M.N. Kannan and his associates along with W. Gunther GmbH of West Germany to set up a plant with a capacity to produce 16 million miniature reed switches and 1.95 million tilt switches per annum. The project, located at Madras export processing zone, is estimated to cost Rs 6.70 crores. The equity component is Rs 2.36 crores. It is expected to go on stream by June 1989.

Though the prospects for the products may be good, the management is unknown.

Issue opening date: 15 May 1989.

Pearl Polymers, a highly profitable company, is going public. It is issuing shares at a premium of Rs 3. Pearl was the first company in India to introduce the stretch blow moulding technology and is today the largest manufacturer of PET jars and bottles in India.

The company is setting up a further capacity of 8 million bottles a year at Mahad (Maharashtra) at an estimated cost of Rs 2.95 crores. Sales are expected to touch Rs 20 crores by March 1991 against Rs 7.75 crores for the year 1986-87. Profits too are expected to go up. The issue appears attractive.

Issue opening date: 22 May 1989.

■ *Clifton Desilva*

The author is a Bombay-based investment manager.

THE MANAGEMENT FACTOR IN INVESTMENT DECISIONS

An important intangible investors must look for before investing their money in a company's scrip is the quality of management. For, it is upon the quality and competence of the management that the prospects — and, in fact, the very existence of a company — rests. A good, innovative management team can make a company grow and a bad one can kill it. Chrysler in the US was an ailing giant. Lee Iacocca, with a combination of shrewd policies and tough management, made it profitable once more.

Nearer home, Burroughs Wellcome declared a loss two years ago in the wake of an unsuccessful diversification. A year later, with a new chief executive at its helm, the company returned with a bang — and the most recent financial statements show the company is back on track.

MANAGEMENT ASSESSMENT

Metal Box was, a decade ago, among the most respected names in India's corporate galaxy. But lots of things went wrong, including some diversification plans. And by late 1987 and early 1988, the company closed down all its factories — a happening almost without precedent. The company then inducted a man with the reputation of being a turnaround specialist. One factory was opened in mid-1988 and began making profits in the very first month. Whether this man, Vinod Krishna, will actually be able to save Metal Box or not is yet to be seen. But what is obvious is the fact of recognition by all that the man at the helm can make or mar the fortunes of a company. It is for this reason that no one should invest in a company, lend it money or generally agree to become a stakeholder in it without having first assessed its management.

In India, managements can broadly be classified into two groups: family and professional, though some companies have married the two styles successfully.

In family-managed companies, the seats of power are usually occupied by family members and decisions are made with family interests in view. Employees, including senior managers, are considered paid employees of the family and are, unfortunately at times, even treated as such. In short, employees are expected to be subservient to the family. Loyalty to the family is an important criterion for upward mobility in jobs and rewards. Not infrequently, loyal employees get special treatment. For example, when a loyal executive of a very large family-managed company in Calcutta died a premature death, the company gave his wife a job and helped her with the education of her children. Very few multinationals would do this.

Till some time back, family-managed companies were considered rigid and traditional in their views. This was mainly because these businesses were being managed by patriarchs who were not exposed to modern methods of management. But all this is changing now. The scions of many large business houses have since begun frequenting prestigious business schools and many of them are now managing their businesses. Modern methods of management are being used effectively and their businesses are thriving. Yet, it is important to note that in the ultimate analysis, it is the family that matters and it is the family that decides what course of action should be taken. The chief executive will almost always be a family member.

Before investing in a company's scrip, it is wise to study the quality and competence of its management

PROFESSIONAL COMPANIES

In contrast, professionally-managed companies are those that are managed by employees, by persons who do not usually have a financial stake in the company and have been chosen to manage the company due to their proven competence, professional qualifications and ability.

Professional managers depend on success to achieve their personal goals and retain their positions. As a consequence, they have a good reason to try and run efficient and cost-effective operations. Overall, therefore, professionally-managed companies are well organised, growth-oriented and good performers. Regular dividends and bonus issues are thus a distinct possibility in such companies.

When considering investment in a company, there are several indicators, at least as far as the management of the company is concerned, to look for.

- The most important aspect is proven competence, i.e. the track record. How has the management managed the affairs of

the company in the last three to five years? What does the record show? Has the growth been impressive or lacklustre when compared to other companies in the same industry?

■ Another point is the regard or esteem in which the management is held by its peers in the business community and in the rest of the industry. If the management is considered worthy of emulation and adulation, it must be capable since the judgment of the industry is usually impartial and correct.

■ The depth of knowledge of the management. Do the promoters know enough about the industry and the latest innovations in their area of operations? So, if a shoe company's promoters suddenly decide to invest in ceramic tiles, one must ask what special knowledge and understanding they bring to their new area of operation and how well-equipped they are to adapt to it.

■ How did the management cope with adversity in the past? Anyone can grow and make profits at boomtime. The acid test is how the management dealt with adversity. Was it able to streamline operations? Was it able to sell its products? Did the company perform better than its competitors? Or did the management lose control? The most capable managements prove their competence during difficult periods under stress, strain and tension. It is at this time that they prove their real worth.

■ The management's integrity must be beyond question. A dishonest management, however capable, can destroy a company by siphoning off funds or by draining the company's resources in diverse ways.

■ The management must also be innovative. If it does not plan its strategy for the future, it is not likely to grow at the same pace as its competitors.

What then are the aspects one should be careful about when sizing up the management of a company?

□ It would be wise to think thrice before investing in a company that has yet to professionalise its management. This is especially true for family-run companies as the direction of the company's growth may often be based on the whims of the head of the family — which may not be in the best interests of the company. The decisions taken may be good for the family, but not necessarily for the company. There may be considerable nepotism with nephews, cousins and relatives of the family holding positions in the company without proven competence.

□ It is important to determine who the major shareholders are and whether they have a record of "managing" share prices particularly at times when the companies are trying to raise money from the public through share issues and debentures.

□ It is wise to avoid investing in companies where there is infighting within families. In such companies, the person who suffers most is the ordinary shareholder. In recent years, many family managed businesses have split. The period immediately preceding the split and the one soon after often witness turbulence, with performance not being as impressive as earlier. Instances exist where companies have even closed down due to family infighting. In such situations, it is always best to wait and watch from a distance till the effects of the split wear off and the company starts performing better.

□ One of the basic principles of investment is safety. Young companies have a very high rate of mortality. It would be prudent to resist investing in or purchasing the shares of companies run by unknown business houses or those that are yet to prove their competence.

□ Finally, one should avoid investing in companies whose managements are no longer dynamic. This happens especially in large companies, which over a period of time become ponderous and bureaucratic. They are usually top-heavy and inefficient.

The ultimate test to determine the competence of a company's management is, of course, the bottomline — its growth over the years



SAVING GRACE

In India, apart from the large multinationals like Hindustan Lever, Siemens, Brooke Bond, Colgate-Palmolive, etc., the bulk of the companies are family-owned. However, their saving grace — or rather their main attraction to the common man — is the fact that although members of the family (Tatas, Birlas, Singhanias, etc.) remain at the helm, the companies are managed on a day-to-day basis by professional managers. Some of these controlling families have been exposed to modern management techniques and leaders like Rahul Bajaj have attended prestigious educational institutions like the Harvard Business School. A family that is managing three companies well is more than likely to be managing the fourth also well.

The acid test in determining the competence of a management is, of course, the "bottomline." How much has it grown over the years and how does it compare with its competitors? This is the real and ultimate test.

■ *Raghu R. Palat*

The author is regional audit manager (South Asia) of American Express

"The hotel's location not only enables me to keep my appointments in the city on time but it's ideal for business entertaining also."*

MR. PETER ANDRADE
Executive Director
M/S Engineering & Marketing Service
Bombay



Hotel President has the best location in South Bombay Minutes from the city centre. And our personalised service means the staff greet you by name Seasonal fruit baskets in your room. Special dishes on request. The finest entertainment on in-house TV. Assistance for day trips and picnics Add to this our reasonable room rates, varied cuisine and a full-fledged Business Centre and you'll discover why more and more people prefer staying with us

* This is an authentic guest statement

It's nice to know someone cares.

More than just an ideal location, Hotel President offers you business, entertainment and shopping convenience.

HOTEL
PRESIDENT

THE TAJ GROUP OF HOTELS



"A change of art.

That's what you'll discover at Air-India now.

Because I've made changes that fulfil your changing needs as an air traveller.

For instance, I've pulled out the stops on most routes.

To give you more nonstops than any other airline.

To London. To Frankfurt, the business gateway to Europe. To Rome. To Amsterdam. To Paris. To Tokyo. And to the Gulf.

For business travellers I've introduced the Snoozers.

Special flights with convenient night departures and early morning arrivals.

So that you arrive rested and ready for busines

And the daily New York Whizzer.

The fastest flight out of India, with just one sto at London.

I've also stretched my upper decks and I'm adding to my fleet.

Which means more business class seats with an emphasis on comfort.

My Maharajah and Executive lounges in most cities have also been refurbished to make relaxin

"Look now, I'm changing!"



better experience.

On to my favourite area of change.

Food.

I'm pandering to your many discerning tastes.

For Bacchus, I bring the best from the cellars of Frankhof Kellerai.

For the gourmet, a choice of menus.

Light Continental – specially created in consultation with Steigenberger – internationally renowned restaurateurs.

And for the ethnic epicure, wondrous and hearty Indian delights.

Now my inflight entertainment is also nonstop. With film festivals that feature The Great Classics. Oscar Winners Best of Broadway. Best of Hollywood and Indian directors.

Audio channels boast a repertoire of pop, Western and Indian classical, ghazals, jazz and a very special programme for kids.

There are lucky seat surprises, and inflight shopping for nonstop shoppers.

Now come aboard Air-India.

You'll love the new picture."

AIR-INDIA

HTA 2322 R



For comfort. Support. Elegance.

Kurl-on®

India's largest selling mattress.

Good nights begin with Kurl-on mattresses. The perfect blend of comfort, support and elegance. To give you complete, restful sleep. For years!

MASS/KCPL/'89

Karnataka Consumer Products Ltd., Marketing Division: 45, Fair Field Road, Bangalore-1. Ph: 70769.

Offices & Showrooms: Phone Nos: Bangalore: 76746, 233212; Cochin: 366744; Cannanore: 78861; Madras: 831710; Coimbatore: 26898 (PP); Hyderabad: 66561, 234560; Visakhapatnam: 65448; Bombay: 5113220; Ahmedabad: 478509; New Delhi: 732133, 772019; Calcutta: 282089; Guwahati: 26358, 31702; Kanpur: 243965 (PP); Alwar: 20664; Goa: 23158; Tirupati: 22235; Patna: 57911; Bhopal: 67874.



J.L. ZUTSHI has taken over as executive director (marketing), Indian Oil Corporation Ltd., Bombay.



ALAKH PRASAD SINHA has taken over as chief general manager (personnel and administration), Bharat Coking Coal Ltd.



J.R. JAGTAP has been appointed secretary and deputy director (administration), Air-India.



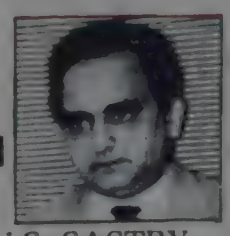
B.D. SURVASHE has taken over as managing director, Western Hatcheries Ltd.



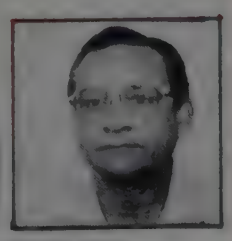
R.K. JAIN has taken over as general manager (sales), Indian Oil Corporation Ltd., Bombay.



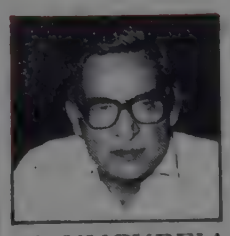
N.K. PADHYE has been promoted as general manager (marketing) of Jolly Board Ltd., Bombay.



T.V.S. SASTRY has been appointed chairman and managing director of Bharat Yantra Nigam Ltd.



DP. CHATTERJEE, director of Lubri-Chem Industries, has been elected president of the Association of Manufacturers of Petroleum Specialities.



S.N. KUCKREJA, president of India Polyfibres Ltd., has been elected vice-president of The Association of Polyester Staple Fibre Manufacturers.



M. GOPALAKRISHNA, managing director of Godavari Fertilisers & Chemicals Ltd., has been elected chairman of the Fertiliser Association of India (south).



ANAL K. JAIN has been appointed vice-president (marketing), Wipro Information Technology



S.R. GOPALAN has taken over as vice-president (finance and planning), Wipro Information Technology Ltd.

MODI THREA

Excerpts from the speech of Shri Satish Kumar Modi, Chairma



Dear Friends,

It is with great pleasure that I welcome you to the Fifth Annual General Meeting of our Company. I am honoured to present the Annual Report and Review for your consideration. This year has been a significant year for our company during which we have recorded a commendable increase in our domestic and export turnovers.

Our company has generated a tremendous growth potential during the last five years achieving its targets and plans. This positive trend will continue in the forthcoming year as we are confident of achieving success in new areas of business and a substantial increase in the turnover of the company. We have planned further modernisation and diversification in collaboration with renowned International Companies.

These excellent results have been achieved by the stringent measures adopted for modernisation by seeking technical guidance and expertise from reputed International Companies. This has been reinforced by the wholehearted co-operation of the staff members and workers of the company.

The Directors Report and audited statement of accounts for the year ended August 31st 1988 have already been circulated. The financial results for the year ending August 31st. 1988 project a clear picture of the Company's test performance. The comparison with last five years' results prove that Modi Threads Limited has progressed well and confirms the confidence for future achievements.

TEXTILE INDUSTRY DEMANDS:

Against the heavy odds faced by the textile industry, the progress made by Modi Threads is commendable. The textile industry has been facing a crisis of recession in the last few years due to several production constraints like acute shortage of raw materials, surplus labour, high cost of industrial inputs, obsolescence, low productivity and high wage structure. Raw materials continue to be a problem due to the escalating prices. Viscose and acrylic fibre prices soar high and remain in short supply.

The initiative taken by our Hon'ble Prime Minister Shri Rajiv Gandhi has been encouraging. He has been trying to provide the necessary impetus for growth in the Textile Industry. At our end we have been interacting with the Government at various levels suggesting measures for revitalizing the Textile Industry on a sustained basis. This can only be achieved by stabilising the prices, regularising the supply of raw materials and scaling down the duties on man-made fibres and yarns. The Government should reduce import duties on viscose. and acrylic fibres to ensure availability of raw materials at international prices The pragmatic policies of the Government should concentrate in liberalising import of man-made fibres and yarns. This will boost the garment exports and help earn valuable foreign exchange for the country. The liberal policies of the Government if implemented will go a long way in stabilising the Indian Textile Industry.

PERFORMANCE:

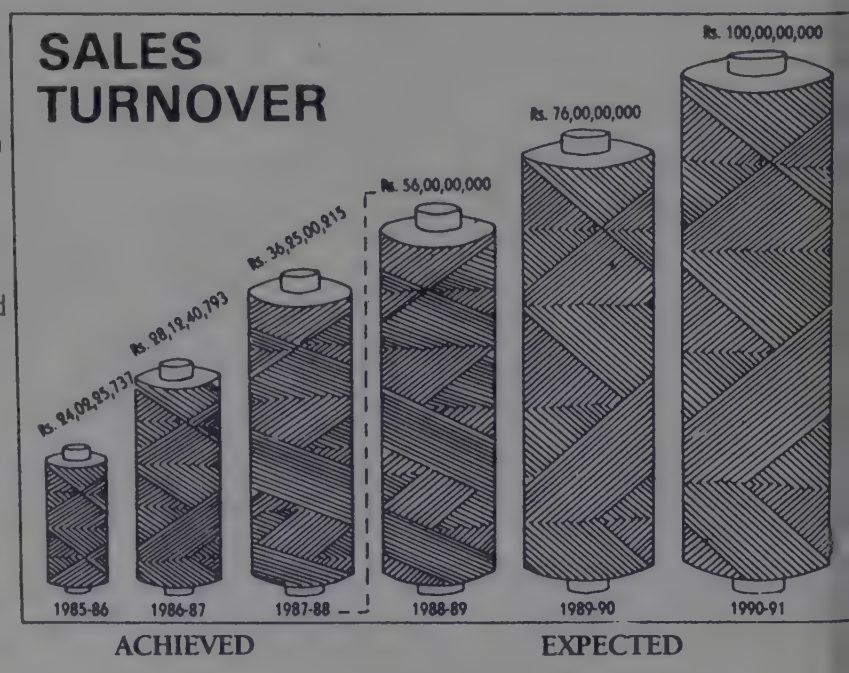
The significant progress of the company has had a stimulating effect on the innovative development and expansion programmes of the company. The dominant theme which has helped us to steer Modi Threads once again into a successful result and profit oriented Company is the upgrading of standards of performances. A Quality Circle Programme has been set up at the plant and every worker from the shop floor level to the senior-most executive has been made aware of this Programme. The persuasive commitment and attention to detail which is necessary, can only be attained if there is a shared understanding on the part of everyone involved This has been an uphill task, but it has proved beneficial and has created an ability to study and adjust to the changing markets We are determined to achieve better performances every year.

The company started with a modest production of one tonne per day and today it has achieved a production level of more than ten tonnes per day. The production, sales and profits of the company have been increasing steadily. Innovations combined with improvements in quality and service have accelerated the rate of growth. This is a result of the efforts and efficiency of all the members of Modi Threads Limited.

The team spirit with a vocation to succeed, has been supported by constant research, quality control, updating the Technology in the production process and by understanding the everchanging markets and customer requirements.

FINANCIAL RESULTS:

The production and sales during the year under review have registered a marked improvement. Profit for the year is Rs. 174.28 lacs compared to the last years profits of Rs. 100.94 lacs. The sales this year have touched Rs. 3625 lacs as against Rs. 2812.41 lacs during the last year. The production of the company has accelerated to 3211.79 tonnes as



DS LIMITED

he 5th Annual General Meeting of Modi Threads Limited

npared to 2951.88 tonnes.
duction in the previous year

CHIEVEMENTS:

e company has developed a
ng infrastructure for marketing
h in domestic and
rnational markets. A network
7 sales offices in India are well
blished and an overseas office
nonitor exports is based at
don. The philosophy of our
mpany is to strive hard to
sfy our customer demands and
blish a "close to customer"
tionship. We have thereby
cited the faith and goodwill of
customers in India and
oad.

e sales offices are supported by
rofessional sales team of
namic young salesmen who
ve created a large infrastructure
etailers, distributors and
ckists throughout the country.
e ambitious marketing team has
ieved 28.91% increase in sales
nover. We are confident of
ssing our turnover target of
100 crores by the
r 90-91.

ere is a consistent
provement in the quality,
her productivity and
provement in the product mix.
di Threads have been popular
ause of their strength, fast
ours, durability and guaranteed
terage. The trends in the
thing industry have shifted
m unstitched to stitched
ments, from sarees to salwars,
m dhoties to pants. At present
% of the population wears
titched garments, but this
nventional trend is now giving
y to hi-fashion readymade
ments. The increase in the
mand for readymade garments,
ults in stepping up sales of
eads.

XPORTS:

di Threads has made an
pressive breakthrough in



A range of Modi Threads

executing export order for Rs. 118 lacs for 1987 - 88 as against exports of Rs. 21.86 lacs for the year 1986-87. We are presently exporting handicraft and sewing threads to over 50 countries including U.S.A., Europe, the Middle East and South East Asia. Repeat orders are an evidence of Modi Threads meeting International specifications. The company forsees a bright future on the export front. Spurt in the export of garments and handicraft threads will directly increase the demand for threads. The modernisation programme being implemented in the company alongwith the expansion plans to increase the product range are promising factors.Cash incentives of 15% are allowed on export of processed fabrics. Since thread is also made from processed yarn the government must provide a similar incentive on thread export.

MODERNISATION:

The company emphasis on modernisation of plant and machinery has resulted in substantial growth rates. New machines have been installed in various departments like high pressure and high temperature dyeing and bleaching machines, computerised colour matching systems, introduction of the latest drafting systems, etc.

From time to time foreign technicians have been visiting the plant and providing the latest available technical knowhow for improving the production process. This has helped to improve the quality and standard of handicraft and sewing threads to meet international specifications.

DIVERSIFICATION:

As per the set targets we have successfully launched acrylic knitting yarn of international quality. The acrylic fibre for manufacturing this yarn is purchased from Courtaulds, U.K. The knitting yarn has been well received in the domestic markets and we are exploring possibilities for exports. This yarn is marketed under the brand name of 'Modiknit', available in three varieties:
Chunky, Berella 4 and Concorde.



MODIKNIT 100% ACRYLIC KNITTING YARN

To enhance the sale of Modiknit, Modi Publications have acquired the sole distributorship of Pingouin knitting patterns and books. The knitting books will soon be in the market. This division of Modi Threads is already marketing D.M.C. and Bernett design and needlecraft books.

ACCESSORIES:

At Modi Threads Limited we are optimistic about the future. We intend to emerge as the No. 1 Haberdashery company in India by providing allied items like printed and plain canvas, lace, interlinings, extruded (non-metallic) zip fasteners, needlework design books and leaflets, scissors, measuring tapes, needles and tailoring chalks.

HOME APPLIANCES DIVISION:

In collaboration with the world renowned 'Hoover', Modi Threads propose to market a range of vacuum cleaners to suit domestic and industrial requirements. The company plans to market kitchen and personal weighing scales in collaboration with Testut Terraillon of France.

SHARE CAPITAL:

Our determination to excel as market leaders through technological innovations, and rising productivity makes it imperative to increase the share capital of the company. Taking into consideration the market trend we are planning a public issue. We are awaiting the required approvals which are under active consideration with the concerned ministry and are expected very shortly.

ACKNOWLEDGEMENTS:

On behalf of the Board of Directors of the company, I thank the Central Government, the State Government of U.P., financial instutions, company's bankers, our valued shareholders and customers for their encouragement and support extended to the company. I am also thankful for the services rendered by the officers, staff and workers of Modi Threads Limited

(This does not purport to be a record of the proceedings of the Annual General Meeting)

PLANS OF 2 CIL SUBSIDIARIES



A number of open-cast and underground mining projects are being undertaken by two of CIL's newest subsidiaries, Northern Coalfields and South-Eastern Coalfields

In this article, we take a look at the projects of two of Coal India's newest subsidiaries, Northern Coalfields Ltd. (NCL) and South-Eastern Coalfields Ltd. (SECL).

NCL was floated by Coal India in November 1985, with headquarters at Singrauli in Madhya Pradesh's(MP)Sidhi district. It is responsible for coal mining in the Singrauli coalfields area which spreads across the Mirzapur district of Uttar Pradesh (UP) and the Sidhi district of MP. SECL was also incorporated in November 1985, with its administrative headquarters at Bilaspur in MP. This company is responsible for coal mining in the Korba, Sohagpur, Jamuna-Kotma, Chirimiri, Baikuntpur, Jhagrakhand, Ib Valley and Talcher areas of MP and Orissa.

NCL is in the process of implementing a number of open-cast mining projects as well as undertaking expansion programmes at existing mines. The details are:

- The 4 million tonnes per annum (tpa) Amlori project is being undertaken in Sidhi district at a cost of Rs 323.32 crores.
- The 4.5 million tpa Bina project in Mirzapur district of UP is in the final stages of implementation. The project is scheduled for completion this year.
- Plans have been drawn up to implement the 5 million tpa Dudichua project in Sidhi district. The mine is estimated to cost Rs 28.97 crores and is scheduled for completion by 1994.
- The Jayant open-cast project, also located in Sidhi district, is now being expanded to 10 million tpa. When completed, it will be the largest coal mine in India.
- NCL is also implementing the 2.5 million tpa Kakri project in Mirzapur district (UP). The Rs 117.57 crore project will be completed during 1990.
- The 4 million tpa Khadia project is being implemented to service the needs of the Anpara 'B' power station in UP. Estimated to cost Rs 421.16 crores, it is being implemented with Soviet assistance.
- Phase I of the Nigahi open-cast project is also under implementation. The initial capacity of 4.2 million tpa is being created at a cost of Rs 462.3 crores.
- Plans for a 10 million tpa open-cast mine project at Mohar in the Singrauli area are also being drawn up. The USSR is preparing the feasibility report.

Unlike NCL, SECL has both open-cast and underground coal mine schemes under its charge. The underground schemes include:

- The 0.65 million tpa Bangwar underground project in Shahdol district (MP). To cost Rs 30.5 crore, the project has been experiencing land acquisition problems.
- The 0.6 million tpa Balgi underground project. Now in the final stages of implementation, the Rs 32.35 crore project is scheduled for completion in 1989.
- The Churcha West underground project in the Surguja district of MP is in an advanced stage of implementation.
- The existing Nandira underground project is proposed to be expanded to a level of 0.65 million tpa with modern French technology.
- The 0.72 million tpa Ramnagar underground project in Shahdol district is in the final stages of completion. Costing Rs 23.5 crore, the project is scheduled for commissioning in 1989.
- The 0.7 million tpa Rajgamar underground project in Bilaspur district (MP) is under implementation. The project is estimated to cost Rs 39.13 crores.

SECL's new open-cast projects and expansion schemes are discussed below.

- The 0.7 million tpa Amlai open-cast project is being created in Shahdol district (MP). Estimated to cost Rs 40.77 crores, it is scheduled for completion by late 1992.
- The 2 million tpa Belpahar open-cast project in Sambalpur district of Orissa is being implemented at a cost of Rs 73.55 crores.
- A 3.5 million tpa open-cast project is being implemented at Bharatpur in Dhenkanal district, Orissa. The Rs 80.66 crore project is likely to be completed during 1991.
- The 1.25 million tpa Dhanpuri project in Shahdol district is being implemented at a cost of Rs 64.66 crores. The much-delayed project is likely to be commissioned during 1990.
- The 2 million tpa, Rs 57.96 crore Dipka project in Bilaspur district is also under implementation. It is likely to be completed by late 1991.
- Reconstruction and expansion of the Ghevra open-cast project in Bilaspur district has been taken up at a cost of Rs 224.39 crores. The 10 million tpa expansion scheme is being implemented with World Bank assistance.
- The 1 million tpa, Lajkura project in Sambalpur district is being implemented at a cost of Rs 34 crores.

SECL also plans to implement several new open-cast coal mining projects which are currently in their preliminary stages, but could gather momentum during the eighth plan period. These projects include: (i) the 4 million tpa Ananta project, estimated to cost Rs 111.92 crores; (ii) reclamation of the Bisrampur project to salvage damaged mines; (iii) an open cast project at Dugga which may take concrete shape during the eighth plan period; (iv) the Kalinga (Orissa) open-cast project. To be implemented at a cost of Rs 9.25 crores, the project may be undertaken during the eighth plan; (v) the Rs 120 crore 5 million tpa Lakhanpur project; (vi) a new mine at Samleshwari. The proposed project is presently in the planning stage.

■ *P.V. Satyanarayana*

The author is a Bombay-based management consultant.

APPOINTMENTS

Shilputsi

Shilputsi Consultants
have been retained to recruit

VICE PRESIDENT, MARKETING
BOMBAY

BRANCH SALES MANAGERS
BOMBAY, DELHI, BANGALORE

The Company : Our client is a public limited company setting up a new business for manufacture/marketing of **'plastic resins'** with **Japanese collaboration.** Turnover in 1990 will be over Rs. 30 crores and is expected to increase to Rs. 100 crores in the next 5 years.

Product and market : The company will manufacture over 100 grades of high quality engineering thermoplastics to be sold to plastic processors and OEMS in a competitive and developing market for a number of end uses in domestic durables, automotive, television, business machines, luggage and other industries.

Market Development and Technical Service will form important parts of the marketing organisation.

The Job : The **Vice President (Marketing)** will be responsible for conceptualising, developing, executing and administering the overall marketing/sales strategy of the company to achieve the desired business objectives.

The **Branch Sales Managers** will be responsible for assisting the VP Marketing in the total marketing and sales effort including maintaining close contact with distributors/stockists/processors and OEMS in their respective region.

Qualifications : Candidates should have a degree in engineering/marketing and experience of marketing industrial raw materials/components to a number of end users in small and medium scale industries. Previous experience of selling plastic resins is preferred but not essential. Direct experience of handling distributors/stockists/customers is essential. Experience of working with technical people of the processors/OEMS for market development is essential.

Candidates for the **Vice President's** position should be between 35 and 45 years of age and should have 10 years relevant experience including atleast 3 years at the All India level in an industrial product.

Candidates for the **Branch Sales Manager's** position should be between 28 and 35 years of age and should have atleast 5 years experience in Sales of an industrial product at the regional level

Remuneration : The compensation package for the above positions will equal to the best in the industry and will not be a limiting factor.

Please apply in strict confidence to:

Mr. Tarun Sheth
C/o. **SHILPUTSI CONSULTANTS**
11/170 Adarsh Nagar
Near Century Bazar
Prabhadevi
Bombay 400 025.

APPOINTMENTS

Analytic

A well-established, fast-growing, professionally-managed group of repute having turnover of over Rs. 100 crores has retained our services for selection of the following professionals at Calcutta. Besides attractive compensation package, which will be designed to attract the best talent, this fast-diversifying Group provides rewarding career opportunities in a professional working environment.

FINANCIAL CONTROLLER

The incumbent should be in complete charge of Finance & Accounts department and will be responsible for financial planning, dealing with financial institutions/banks, working capital management, cost and budgetary control, MIS, financial accounting, tax planning etc. He should be a chartered accountant or MBA (Finance) from a leading management institute in the age group: 35-40, relaxable for outstanding candidates only. Besides high level commercial acumen and leadership skill, he must possess about 12/15 years relevant experience with proven track record in a reputed organisation out of which at least 5 years should be at a senior level in an independent capacity. Exposure to computerised accounting system is essential.

SECRETARIAL & LEGAL EXECUTIVE

The incumbent will be responsible for all secretarial and legal functions of the company including company law, central excise, sales tax, trade mark, patents, industrial law and other regulations affecting the functioning of the company. He should be bright, hardworking qualified company secretary with strong legal background in the age group: 28-35, having 4/5 years relevant experience as Asst. Company Secretary/Legal Officer in a reputed organisation.

Please apply in absolute confidence stating present employment, remuneration drawn, contact phone number etc. and write the position title on the envelope.

Tushar Basu, Director

Analytic Consultancy Bureau Private Limited

P-34, Block-H, New Alipore, Calcutta-700 053, Phone: 45-8169

The turnaround has begun at Gordon Woodroffe

Gordon Woodroffe is a 120 year-old company with diverse interests. A member of the Chhabria Group, it was one of the first companies in India to manufacture and export a range of high quality finished leathers. It has now embarked on a multi-crore expansion and modernisation of its Leather Division which has created exciting and highly challenging opportunities.



We need

A Purchase Manager

who knows that a company can 'purchase' its way to profits.

The Person:

* Preferably a Leather Technologist.
* Minimum of five years' experience in purchase function in the leather industry.
* At least 30 years of age.
* Proven track record.

The Job:

* Procurement and inventory management.
* Establish, operate and control system geared to source-buying, cost effectively.
* Help the company attain a 'preferred-status' among suppliers, within a short time.

A Leather Technologist/ Development Manager

whose ability to develop new products can make us say 'Eureka'!

The person:

* B Tech, preferably M Tech in Leather Technology.
* Minimum of five years' experience in India or overseas.
* At least 30 years of age.
* Proven track record.

The Job:

* Product development and process development.
* Focus on quality and cost effectiveness.
* Setting up a lab.
* Opportunity for overseas training may be provided.





A Marketing Manager

who chooses marketing battlegrounds where he has a good chance of winning.

The Person:

* Graduate, preferably an MBA.
* Minimum of five years' experience in the leather/allied industry.
* At least 30 years of age.
* Proven track record.

The Job:

* Marketing of leathers and leather products in India and abroad
* To develop marketing perspectives and implement product-market strategies
* To gain market leadership in a complex and competitive market situation

FOUNTAINHEAD GW/7/89

The compensation is attractive and will not be a constraint for the right person. Candidates may apply in strict confidence. Leather Technologists may enclose published scientific work, if any. Write within 10 days enclosing bio-data to

The Managing Director, Gordon Woodroffe Limited, 36, Rajaji Salai, Madras 600 001

Gordon Woodroffe Limited

APPOINTMENTS

ABC's major specialisations include Corporate Consultancy • SWOT Analysis • Socio-Economic Studies • Insurance Consultancy • Computer Feasibility • Systems & Procedures • MIS • Operations Research • Industrial Engineering • Software Packages • Project Reports • Data Processing • Materials Management • Organised Cost Reduction

NRI GROUP

Madras **Good Terms**

Our client is a fast expanding, medium size NRI Group with interests in manufacture of cement, sugar, real estate development and leasing & hire purchase. All the companies of the Group are professionally managed and have been recording an impressive growth rate. The combined turnover is around Rs. 40 crores which is expected to increase substantially in the next few years. They are looking for competent professionals to fill the following positions at MADRAS.

GENERAL MANAGER
Leasing & Hire Purchase

The incumbent will head total operations of the leasing company. He will formulate & market innovative leasing & hire purchase schemes suiting the needs of both corporate and retail clientele and introduce a range of attractive schemes to mobilise deposits. He will also build & motivate a team of committed professionals at all levels. Candidates should preferably be post-graduates in Management/Chartered Accountants with around 12 years relevant experience at senior levels in reputed leasing companies/ non-banking financial institutions/banks, etc. with proven experience in domestic credit & international finance. Age : Around 40. Code : GML/MDS/1572.

GROUP FINANCE MANAGER

The incumbent will head finance & accounts at the Corporate Office. Responsibilities will include financial planning, budgeting, dealing with financial institutions & banks, finalisation of accounts, taxation, MIS, etc. Candidates should be Chartered Accountants preferably with Secretarial qualifications having 10-12 years relevant experience in a large company of repute. High level of professional competence and exposure to computerised systems essential. Age : Around 35. Code : FMD/MDS/1573.

COMPANY SECRETARY

The incumbent will be responsible for all matters pertaining to company law, MRTP, FERA, etc. besides other legal matters. Candidates should possess ACS qualification preferably with a degree in law and around 5 years relevant experience in an organisation of repute. Age : Around 30. Code : CSD/MDS/1574.

Emoluments will be attractive and will not be a limiting factor for the right candidates.

Apply within ten days with detailed bio-data marking envelope & application with appropriate job title & code. ALL APPLICATIONS WILL BE TREATED IN STRICT CONFIDENCE.

Personnel Selection Division

ABC CONSULTANTS PRIVATE LIMITED

4, Jagannathan Street, Madras 600 034. Tel : 470778

CALLING COMPUTER PROFESSIONALS

This is an invitation to join the ranks of Blue Star's Electronics professionals in the group which markets and supports 'Quantum' PC-XT/AT based solutions in Technical and Office Automation Application areas. We take pride in providing the best service-after-sales in the industry.

For continued success in this mission, we require:

DEALER DEVELOPMENT MANAGER

Bombay/Delhi

Role: To develop and expand our Dealer network to increase our market share and reach. The incumbent will work closely with Sales Managers in planning and implementing the strategies and activities.

Requirements: Engineers/graduates with MBA and 6-7 years' experience in direct sales and dealer management in the Consumer Durables or Capital Equipment industry. Experience in Electronics/Office Equipment/Computer industry, preferred.

The position calls for excellent marketing abilities and commercial acumen.

Remuneration: Excellent terms.

Age: Below 35 years.

Kindly apply within 10 days specifying advertisement reference number to the Manager—Personnel, BLUE STAR LIMITED, Sahas, 414/2 Veer Savarkar Marg, Bombay 400 025.

Reference: QT/2

BLUE STAR

APPOINTMENTS

WANTED DYNAMIC LEADERS

TO BE THE DRIVING FORCES OF A MASSIVE GROWTH THRUST BY
A LEADING AND RENOWNED PROFESSIONALLY
MANAGED MULTINATIONAL AND MULTI-INDUSTRIAL GROUP.

CHIEF EXECUTIVES

Looking for Matured, Astute and Seasoned Ace Chief Executives each with a truck record which speaks for itself to lead large manufacturing divisions in different locations having turnover of 100 crores and more. As the Division Chief, incumbent will hold independent charge of the profit centre and be responsible for attaining the Profitability, Growth and Diversification objectives of the division.

Respondents must be Highly Successful Techno-Commercial Managers preferably be Chartered Accountants or Engineers with M.B.A. From reputed Foreign or Indian Institutes, upto 45 years, with at least 5 years experience of successfully heading large, profitable and professional companies. The incumbents must be High Achievers who can Galvanize the Operations and Infuse People at all levels with a Sense of Mission.

The Remuneration Package and Benefits would be structured to attract the best in the industry.

Please write, in complete confidence, to:
POST BOX NO. 1828, G.P.O., BOMBAY 400 001

APPOINTMENTS

Sanghi

We are a multi crore, multi product and multi unit Group that has grown into a conglomerate in a very short span, expanding its operations from textile processing to the manufacture of zip fasteners, the renowned MIRACLE brand BOPP, PVC and PTFE tapes, PVC foam leather, PVC films and allied products.

The group is now all set to implement the **POLYESTER FILAMENT YARN** project the latest on its list of growth and diversification plans. We require for our PFY Project at Hyderabad.

GENERAL MANAGER - PROJECTS

The incumbent will be given full charge for independently implementing and commissioning the project. This is an outstanding oportunity in general management, offering excellent prospects of career development with a Group that is committed to growth. Experience in a similar capacity and exposure to implementation of PFY projects will be preferred.

SENIOR PROJECT ENGINEERS

(Mechanical, Civil, Electrical and Instrumentation)

The positions are in the senior management cadre, offering an environment of challenge and responsibility to a young and professional team of engineers. The incumbents will be graduates in their field preferably with experience in implementation of PFY projects. They will be reporting to the General Manager - Projects.

While this project offers an exciting milieu of lucrative growth per se, the right candidates can look forward to associating with a Group that is poised to diversify into newer thrust areas like petrochemicals etc.

EXECUTIVES FROM TECHNICAL AREAS OF PFY - VIZ QUALITY CONTROL, RESEARCH & DEVELOPMENT AND PRODUCTION LOOKING OUT FOR A WELL TIMED CHANGE - CAN WRITE TO US IN CONFIDENCE.

Remuneration and perks commensurate with experience and qualifications. Apply with complete bio-data and a passport size photograph to :

The Director,
Sanghi Group of Industries,
4-3-352, Bank Street,
HYDERABAD - 500 195.

Prakriti

APPOINTMENTS

A renowned industrial group in South India, having attained a turnover of about Rs. 200 crores through multifold expansion and diversification into new business areas, is now setting up a Footwear Division to initially manufacture shoe uppers, to be followed by full shoes for international and domestic markets.

The group requires an outstanding professional to head this venture as

VICE PRESIDENT

Leather Footwear

South India **Excellent Terms**

The incumbent would be responsible for creation and development of the venture into a successful business enterprise and ensure its growth on a continual basis.

The incumbent would be responsible for all project planning and implementation activities with emphasis on identification & development of international/domestic markets, creation of a modern integrated manufacturing complex (from tanning to packaging), development of an effective network of raw material sources. He would subsequently formulate and implement effective strategies for profitable operations and growth.

Applicants should be result-oriented professionals with substantial international marketing experience, an in-depth knowledge of the Leather trade, and with adequate senior management experience to be able to provide leadership, direction & motivation to a multi-disciplinary team.

Ideally, the incumbent should be around 40 to 45 years of age, possess Leather Technology/Engineering and Management qualifications, and should have had extensive experience as General Manager in a Leather/Export company, as a profit centre head.

Remuneration would be comparable with the best in the industry.

Please apply with detailed resume' within 15 days, to :

Chairman,
Apex Management Consulting Group Private Limited,
C-1, Rams Square, 2, Village Road, Madras 600 034 Phone: 474348.

amcon

2742

A multinational company engaged in the manufacture and marketing of premium brand industrial products wishes to recruit a Regional Manager and a Marketing Manager. The sales turnover of the company is over Rs 75 crores per annum.

REGIONAL MANAGER

(MS/4349)

South India **Attractive Compensation**

The incumbent will be responsible for planning, monitoring and controlling the sales of his region. He would lead a team of sales professionals. Growth prospects in the near future are excellent.

Candidates should be graduates preferably MBAs, with a minimum 5–7 years of relevant experience. Extensive selling experience to institutional and dealer sales would be essential. Preferred age group: 30–35 years. The candidates should speak one or two South Indian languages.

MARKETING MANAGER

(MS/4350)

Delhi **Attractive Compensation**

The incumbent will be responsible for product management activities, formulation and implementation of marketing strategies, advertising, market research and other related activities. The position will report to the Director-Marketing.

The candidates should be MBAs, from a premier management institution with a minimum 5–7 years of relevant experience. Some field experience is also desirable. Candidates should have excellent analytical abilities and communication skills. Some amount of travelling will also be required. Preferred age group: 30–35 years.

The compensation for both the positions will compare with the best in the industry and would include company leased accommodation and other attractive perquisites.

Please apply in strict confidence within 10 days to:

A F Ferguson Associates
Post Bag No. 1261
Madras 600 034

giving full details of age, qualifications, experience and salaries drawn. Applications and envelopes should be marked with relevant MS Reference Number.

CHIEF OF – BIOTECHNOLOGY

RPG Enterprises: Responding, Performing and Growing, as one of the largest and most progressive enterprises in India in widely diversified activities with a socially responsive Corporate Management Philosophy bearing the RPG Stamp.

For a joint venture with a leading European partner, in "Biotechnology" starting with Plant Tissue Culture research and production centre, we need a dynamic, aggressive and result oriented person at the top most level to head this activity with full techno-commercial responsibility. He will head the "Biotechnology" group of activities and, in the first phase, concentrate on developing "full scale Tissue Culture Operation" followed by entry into the area of Hybrid Seeds and gradually venture into other areas of biotechnology.

Ideally the selected candidate will be a Ph.D. in Biotechnology and in his forties, though age is no bar.

This is a Senior Management position. Compensation package is very attractive and will appeal to the best talent. Candidates should send full particulars within a fortnight to:

The Chairman,
RPG Enterprises,
CEAT Mahal,
463,Dr. Annie Besant Road,
Bombay 400 025.

RPG ENTERPRISES

APPOINTMENTS

MAXXON

BIAXIALLY ORIENTED POLYPROPYLENE FILM PROJECT

MAXXON INDIA LIMITED, an associate company of MAX INDIA LTD. and RANBAXY LABORATORIES LIMITED, is setting up a Rs. 25 crore project for manufacture of Biaxially Oriented Polypropylene (BOPP) film in financial collaboration with PSIDC. The plant with state-of-the-art equipment and technology is scheduled for commissioning in the second quarter of 1989. The plant will be located near Max India Limited's existing factory complex.

The following personnel are required for the Head Office of the company.

MANAGER — TECHNICAL SERVICES
DELHI

The incumbent will report to the Vice President-Marketing and will be responsible for all the technical support functions of the Marketing Department like product design; product application development; handling customer complaints; coordination with suppliers of packaging equipment and related materials like inks, adhesives, etc; coordination with external processors; preparation of technical bulletins, etc.

Candidates in the age group 32-40 years should be graduate engineers preferably in the mechanical or chemical stream or plastic technologists with minimum of 10 years hands-on experience in development/production/conversion in a flexible packaging company or in the packaging department of a large multi-product organisation. Knowledge of conversion operations like printing, lamination, coating and metallising is essential. Experience in quality control/testing is desirable.

This position is considered a key appointment in the total marketing function and offers excellent prospects to the right candidate.

GROUP PRODUCT MANAGERS
DELHI

The incumbents will report to the Vice President-Marketing and will be responsible for the total management function of specific product groups and markets at the Head Office. The assignment will include independent and complete responsibility for product and market planning; product promotion; market forecasts; pricing; brand management; positioning; distribution; etc. The incumbents will also be expected to liaise independently between the factory and regional offices on all aspects related to their product groups.

Candidates in the age group 32-40 years should be graduate engineers and/or MBA's preferably with specialisation in plastics and with a minimum of 10 years' relevant experience in reputed packaging companies. Those with experience in flexible packaging business will be preferred. Contacts with large end-users and converters of packaging materials will be desirable.

The compensation package will be comparable to the best in industry and will not be a limiting factor for the appropriate candidates. The positions offer excellent growth prospects.

Applications with details of age, education, qualifications, experience, specific career achievements and current emoluments with position applied for superscribed on the application and envelope should be sent immediately to

SENIOR MANAGER — CORPORATE PERSONNEL
MAXXON INDIA LIMITED
DEVIKA TOWER
6, NEHRU PLACE
NEW DELHI — 110019.

have been retained for selection by a Reputed International Group for their Composite Textile Mill, Vegetable Oil Mill, Soap Factory and Match Factory in

EAST AFRICA

GROUP FINANCIAL CONTROLLER

He will be responsible to the Board of Directors of the Group's Holding Company for designing and implementation of Financial Systems (including costing and budgeting) in Group Companies, and for preparation of composite budgets and overall financial reports based on budgets and reports received from Individual Units of the Group. He will assist in costing and pricing. Chartered Accountant should have minimum 10 years' experience in similar capacity in any Group operating various companies of which 2/3 years' experience in corporate office handling various subsidiary/associate operating companies.

GENERAL MANAGER (TEXTILES)

He will be responsible to the Board for managing the composite textile mill for manufacturing cotton/synthetic textile and also for process house. He will be responsible for general administration, finance, personnel, purchasing, production sales etc. Graduate preferably with Diploma in Business/Industrial Administration should have minimum 15 years' experience as Senior Executive managing textile mill.

GENERAL MANAGER (OIL & SOAP)

He will be responsible to the Board for managing the entire factory including general administration, finance, personnel, purchasing, production, sales. Graduate familiar with manufacture of washing soap and toilet soap should have minimum 15 years' experience in an Industry manufacturing double-refined edible oil from oilseeds (such as cotton seed, sunflower seed, sim-sim and groundnuts) and also vegetable ghee.

All positions carry attractive remuneration packages in freely convertible currency, including free furnished accommodation and free medical care. Interested persons should give/contact with full details of qualifications, work experience and achievements — highlighting any experience in East Africa or Overseas, career progression and remuneration earned, together with 2 recent photographs and copies of certificates and should be submitted within 15 days from the date of this advertisement to: Mr. R.C. Vadhar, Chairman/Mr. J.V. Amin, Executive Assistant, CREATIVE MANAGEMENT CONSULTANTS SERVICES (P) LTD., 21-Atlanta, Nariman Point, Bombay 400 021. Ph: 231464. Rg. No. 000011/Bom/Com/1000+3/41/84.

GENERAL MANAGER

PROCESS INDUSTRY

Total Compensation Atleast Rs. One Lac Per Annum

We have been retained by a well-known professionally managed and diversified group of chemical companies to select a General Manager for one of their divisions which deploys high technology.

The incumbent shall have technology orientation and also high level of commercial/marketing acumen required for developing new applications and perserverence for cutting into new ground. In addition he shall have a General Management perspective to run a Profit Centre and to exercise supervision of all the functions.

Candidates should be engineering/technology graduates preferably with post graduate degree in management. They should be working as heads of Profit Centres or have experience in atleast two out of three areas of manufacturing, marketing and finance at a senior level in a well managed chemical process company. Exposure to oleo-chemicals will be an advantage.

Salary and perquisites will be attractive and commensurate with experience and professional capability.

Please send your structuredand detailed career resume, including current salary and name of present employer. No reference without your consent. Apply confidently within 10 days to :

M H B
COUNSEL

Management & Human Behaviour Counsel

(Consultants in organisation diagnosis, managerial and organisation development, marketing and corporate strategy.)

6th Floor, Tardeo Air-conditioned Market Bldg., Tardeo, Bombay 400 034.

APPOINTMENTS

CREST has been retained by a well established organization which is part of a large professionally managed group, to advise on the selection of the following Senior/Middle Management personnel.

Financial Controller

(Code No. CMS/BW/006)

Chartered Accountants or MBA's with specialization in finance. A strong EDP background and exposure to taxation would be a distinct advantage.

Experience of handling accounts, finance & excise related matters in a large company for a minimum of 5 years.

Marketing/Product Management

(Code No. CMS/BW/007)

Graduates with post graduate qualification in Marketing Management and over 2 years experience in marketing consumer products or pharmaceuticals.

Responsibilities would include product positioning, sustaining and creating markets, product launches and advertising support, initiating and implementing marketing strategies.

Sales

(Code No. CMS/BW/008)

Graduates with minimum 3 years experience with a large professional company. Preferably with a post graduate qualification in management.

Responsibilities would include achieving sales targets, profitability, customer satisfaction, managing and motivating a team of sales personnel.

Liaison Executives

(Code No. CMS/BW/009)

Graduates with over 2 years experience in a large/ medium sized organization.

Responsibilities include liaising with government bodies, insurance companies etc.

All positions carry a remuneration package to attract the best talent.

Apply within 15 days with a detailed resume along with a passport size photograph superscribing the relevant code on the envelope to:

CREST
MANAGEMENT
SERVICES

203, Famous Cine Building
20, Dr. E, Moses Road
Mahalaxmi
Bombay 400 011

Computer Professionals

CREST has been retained by a leading software house offering consultancy & software export assignments in U.S.A., Indonesia and India to select:

Systems Analysts

(Code No. CMS/BW/001)

Graduates in Computer Sciences/Engineering/Business Management with minimum 3 to 5 years experience in Design, Development & Implementation based on:

1. IBM Main Frames/Minis (CICS/VSAM/MVS/RPG)
2. Burroughs (LINC, DMS, COMS, UNIX)
3. DEC (VAX, VMS)
4. UNIX & 'C'
5. Networking, DB Communications

EDP Managers

(Code No. CMS/BW/002)

Graduates in Engineering/Management with specialization in Computers.being well versed with the PC environment and capable of successfully leading a computerization team

Programmers

(Code No. CMS/BW/003)

Graduates with background in Computer Programming languages like Clipper, C, Cobol, Fortran, Pascal or dBase III Plus and 1-2 years experience in commercial applications

Data Entry Operators

(Code No. CMS/BW/004)

Possessing high speed and accuracy

Marketing & Support Executives

(Code No. CMS/BW/005)

Engineers or MBAs with 2 to 3 years experience in Sales/Marketing of Micro/Mini Computer Systems and Software in a dynamic and result oriented environment.

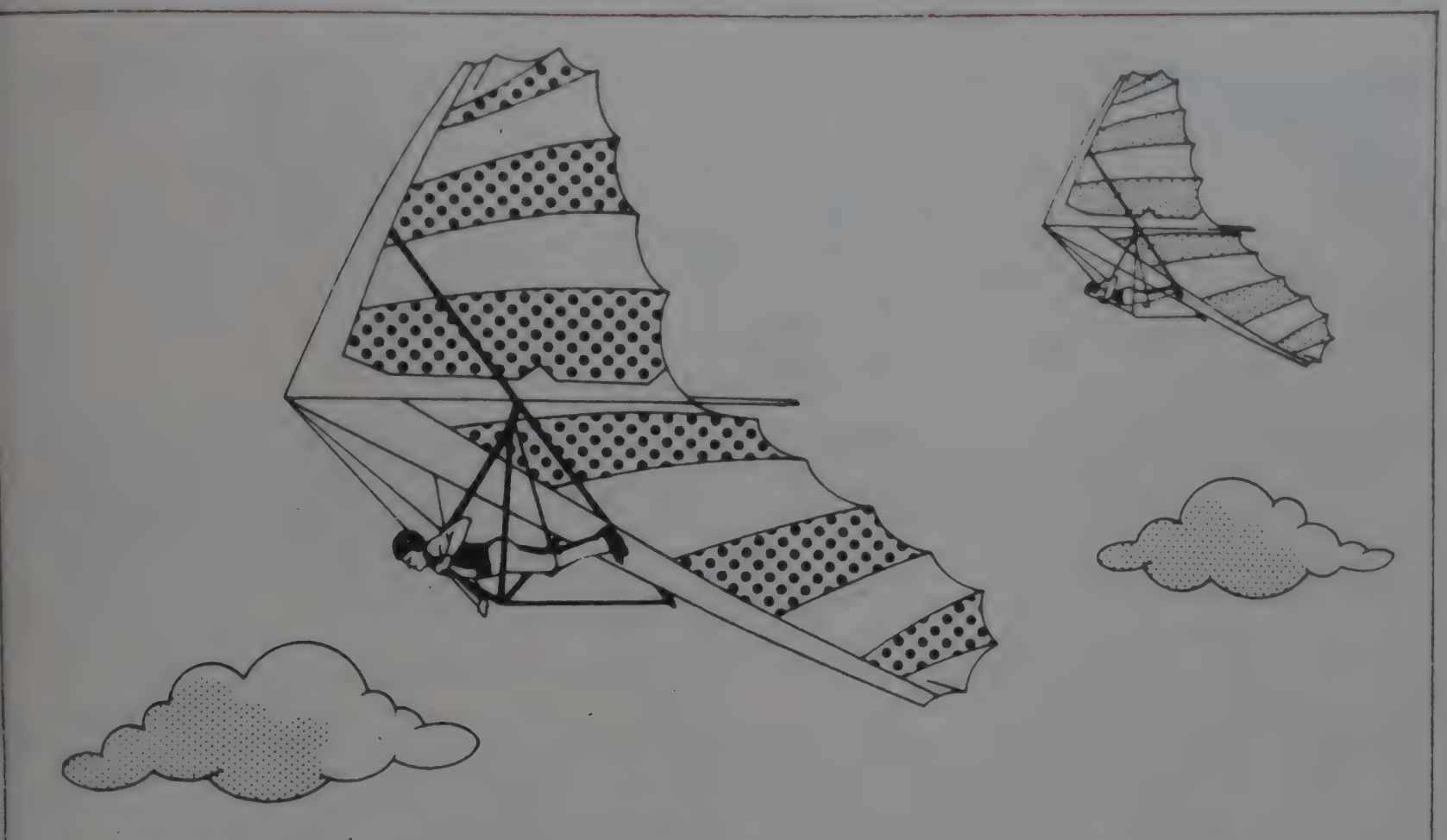
All positions carry a remuneration package to attract the best talent.

Apply within 15 days with detailed resume stating projectwise experience, role, duration,accompanied with a pass-port size photograph superscribing the relevant code on the envelope to:

CREST
MANAGEMENT
SERVICES

203, Famous Cine Building
20, Dr. E, Moses Road
Mahalaxmi
Bombay 400 011

APPOINTMENTS



PRESCRIPTION has been retained by a high-profile Pharmaceutical Company of Bombay to select high fliers for its Southern operations.

AREA MANAGERS
(Andhra Pradesh, Karnataka, Tamil Nadu & Kerala)

If you are below 30 years of age, having a science degree, a grasp of medical and pharmacological issues and an awareness of the market in the relevant state, we are looking for you. Previous exposure to a supervisory role is essential and a high level of communication skills and leadership qualities desirable.

REGIONAL MANAGER
(Any convenient location in South)

If you are below 35 years of age, with proven skills of planning and organization and have the confidence of leading the Area Managers, we are looking for you. We also expect you to be capable of spotting and developing talent.

Apply in absolute confidence, enclosing your resume, a recent photograph and a 250-word self-sketch, to:

"PRESCRIPTION"

1/25 Tardeo Airconditioned Market
BOMBAY 400 034

Lipton

LIPTON INDIA LIMITED REQUIRE HUMAN RESOURCES DEVELOPMENT MANAGER AT BANGALORE

Lipton India is a part of the world-wide Unilever Group of companies. Lipton has a widely diversified portfolio in the Food and Drinks business. The Human Resources Development function plays a strategic role by assisting the top management in ensuring continuity in leadership at various levels and maintaining the quality of management resources through expert advice, time-tested systems and practices.

We are currently looking for a high-calibre Human Resources professional who can contribute to the Company's broad-based Human Resources Development plans. The incumbent would report to the Vice President-Personnel.

The job responsibilities encompass manpower planning, recruiting management staff, planning and organizing training programmes, administering management trainee schemes and providing assistance in management development activities.

The incumbent should be a post-graduate in Business Management or Behavioural Sciences with at least seven years of comprehensive Human Resources Management experience in a progressive organization. He should have a strong sense of commitment and value towards a long term organisation building effort and demonstrate high self-motivation and the drive to excel. Preferred age group is around 35 years.

Ample career opportunities exist within and outside the human resources function for the right candidate, both in the Company and within the Unilever Group.

The position offers an attractive compensation package which includes company housing.

Interested applicants are requested to mail a detailed resume', superscribing the envelope "HRDM" to:

Vice President - Personnel
Lipton India Limited
Lipton House
9/2, Mahatma Gandhi Road
Bangalore 560 001.

LINTAS BLR LIL P3 2116

APPOINTMENTS

सी सी आई CCi

CEMENT CORPORATION OF INDIA LIMITED

(A GOVERNMENT OF INDIA ENTERPRISE)

CCI HOUSE, 87, Nehru Place, New Delhi-110 019.

REQUIRE

CHIEF MANAGER (CORPORATE PLANNING)

We are an all India multi-Unit Corporation engaged in manufacturing and marketing of cement. We are looking for a dynamic and experienced Corporate Planning Executive for our Corporate Office at New Delhi.

REQUIREMENTS

The candidate should be a graduate in any branch of Engineering with minimum 18 years experience out of which at least 2 years should be in the pay scale of Rs. 2425-100-3125 (with Industrial DA) in Public Sector Undertakings or equivalent responsibility. The incumbent of the post functions as Head of the Corporate Planning Division reporting directly to CMD. The incumbent should have basic knowledge and experience of Corporate Planning Functions including diversification. Prescribed experience should be in the area of setting out quantitative magnitudes associated with long-term and medium-term objectives of the organisation. Candidates who have also worked as Chief Executive of production unit/project for at least 2 years will be preferred.

REMUNERATION

The post carries a pay scale of Rs. 2250-125/2-2750 with Rs. 5635/- and Rs. 6850/- at minimum and maximum of the scale respectively. **The pay scale is pre-revised with Central DA and is under consideration for upward revision.**

The emoluments indicated above are excluding Company Leased Accomodation/HRA as per Rules, CCA Project Allowance etc. where applicable. Besides, the posts carry liberal perks like C.P.F., Gratuity, Free Group Insurance Cover, L.T.C. Encashment, Reimbursement of Medical & Conveyance Expenses, Interest subsidy on House Building Advance, Leave Encashment etc. Higher starting pay may be considered for deserving candidates.

AGE LIMIT

52 Years.

RESERVATION ON RELAXATION

The post is unreserved. However, preferance will be given to Scheduled Caste and Scheduled Tribe candidates. SC/ST candidates will be given relaxation in age as per rules.

HOW TO APPLY

Candidates should send their bio-data alongwith recent passport size photograph duly signed on backside and copies of the certificates/testimonials in support of age, experience caste (where applicable). **Application in the following format must reach to Sr. Personnel Officer (Recruitment) alongwith on I.P.O. of Rs. 10/- drawn in favour of 'Cement Corporation of India Limited, New Delhi' at the above address, latest by 26.5.89**

1. Advt. No. _____ 2. Post applied for 3. Name 4. Date of birth 5. Present address 6. Qualifications with years of passing, specialisation, duration of course, names of the institutions/University and percentage of marks obtained. 7. Experience - specifying name of the organisation, duration of posts held, pay scale and nature of duties performed in detail 8. Present pay scale, pay & allowances 9. Whether SC/ST or General 10. Other information, if any. 11. Signatures. SC/ST candidates are exempted from payment of application fee. Candidates working in Central/State Govt. or Public Sector/Semi-Govt. Undertakings must apply through proper channel. Those called for interview will be reimbursed to and fro 1st class railfare by shortest route.

The envelope should be superscribed with the Advt. No. & post applied for. Only Indian nationals need apply.

"HAPPINESS IS AN INNER STATE OF MIND"
— JAWAHARLAL NEHRU

Advt. No. 3/89

सी.सी.आई सीमेंट CCI CEMENT सी.सी.आई सीमेंट CCI CEMENT

APPOINTMENTS

CHIEF BUYER

Oils/Oleo Chemicals

Attractive compensation **Bombay**

A widely known and very professionally managed Company, with sales of around Rs.40 crores, deploying divisional structure and high technology for manufacturing and marketing speciality chemicals has retained us to select Chief Buyer.

Incumbent shall take charge of the purchases of oils, auxiliary chemicals, spares etc. of around Rs.14 crores p.a. and will be assisted by purchase officers and assistants. Candidates should be purchase executives, preferably 30-40 years age, with experience of purchasing oils and such speculative commodities from domestic and international markets. They should also have experience of contracting and buying strategies, financing and negotiating the terms. Adequate knowledge of procedures and policies of STC, DGTD, Commerce Ministry specially pertaining to procurement of cannalised items is also essential requirement.

Compensation package will be attractive and commensurate with experience and abilities.

Send structured resume, including name of present employer and compensation. No references without your consent. Apply within 7 days to:

M H B COUNSEL

H. K. SHIVDASANI
Management & Human Behaviour Counsel

(Consultants in Organisation Diagnosis & Development, Structures, Training, Marketing and Corporate Strategy)

6th Floor, 18, Tardeo Air Conditioned Market Bldg., Tardeo, Bombay-400 034.

MARKETING/ COMMERCIAL MANAGER

(Chemicals)

A widely known and very professionally managed Company with sales of around 40 crores, deploying divisional structure and high technology for manufacturing and marketing speciality chemicals, has retained us to select Marketing Manager. The position reports to General Manager/Chief Executive of the Division.

Candidates, with degrees in Chemical Engineering/Chemistry, should have experience of marketing industrial chemicals, e.g., intermediates/speciality chemicals, as heads of Marketing, or at senior executive level. Experience in product pricing, procurement and technical support/advice is highly desirable. In addition, experience in export marketing and knowledge of procedures and documentation will be an advantage. This is a techno-commercial position, offering broad-based experience in a highly professional environment.

Total compensation is negotiable around Rs. 90,000 per annum.

Send structured resume, including the name of present employer and compensation. No references without your consent. Apply within ten days to:

M H B COUNSEL

H. K. SHIVDASANI
Management & Human Behaviour Counsel

(Consultants in organisation diagnosis, managerial and organisation development, marketing and corporate strategy)

6th Floor, Tardeo Air-conditioned Market, Bldg., Tardeo, Bombay 400 034.

APPOINTMENTS

Reliance Industries Limited

The Reliance Group

requires

SENIOR FINANCE/ BANKING PERSONNEL

The Reliance Group has emerged as one of the top three industrial groups in the country with a turnover of over Rs. 2,000 crores.

It is the only group manufacturing a range of products like Paraxylene. PTA, PSF PFY and detergent intermediaries (LAB) straight from Naphtha at its modern plant at Patalganga. It has now formed Reliance Petrochemicals Limited—embarking upon one of the most modern projects to manufacture HDPE., PVC and MEG in the first phase, in collaboration with international leaders like B.F. Goodrich, U.S.A., Shell/Lummus, Netherlands, and Du Pont, Canada. The phase will have an outlay of about Rs 1000 crores and is expected to be commissioned in about 18 months.

The Group's plans for the second phase of operation of Gas Cracker, etc, attract an additional outlay of over Rs. 1,500 crores.

To strengthen its Finance Function, applications are invited from qualified Chartered Accountants, currently for RPL. The Function will cover the entire gamut of finance management and banking, particularly, including: investments, project financing and negotiations with banks/institutions, continuous monitoring of the fund flow and general banking operations like optimization of funds at the lowest cost, co-ordination with RBI for foreign exchange, specialized tasks and negotiations for exports/ imports financing, leasing, housing finance, etc; besides routine banking operations like accounting, L.C.S, bills, guarantees, etc.

Immediate post visualized include:

CHIEF EXECUTIVE (Finance)

To assume overall charge of the above function. Located at head office in Bombay, and reporting to the Directors, he will particularly provide leadership and guidance to a team of executives being recruited with specialisation in the individual areas covered above. Initially, he will have to personally establish and then monitor efficient systems and procedures.

Applicants in the age group of 50 plus should have at least 15 years' top management experience in a multi-product, large volume group/industry.

GENERAL MANAGER (Finance)

Chartered Accountants of around 40 years, with relevant demonstrated experience and expertise in the above areas will be expected to assist the C.E. in all the activities and particularly to take independent charge of some/major areas.

MANAGER (Banking Accounts)

Chartered Accountants of around 35 years, who should have handled large volume banking operations of a large group/company manufacturing or marketing industrial/consumer products.

BANKING OFFICERS

Chartered Accountants around 25-30 years, who will undertake individual responsibility for tasks like project financing, fund flow management, routine banking operations, banking accounts etc.

The Group believes in excellence and has planned for the most sophisticated systems. Applicants must therefore be thoroughly familiar with the use of computers and related systems and procedures. Familiarity with banking regulations and related operations is absolutely necessary.

The selected candidate will necessarilyhave long experience in a manufacturing/marketing industry. Candidates with experience of working only in banks are not likely to be considered.

Compensation will not be a limiting factor for the selection of the right persons. Apart from usual benefits like provident fund, gratuity, superannuation, bonus, leave travel assistance, medical assistance, group insurance scheme, etc., housing in Bombay suburbs can be considered for senior posts.

Applications will be treated in the strictest confidence and should be addressed (superscribing the envelope with post applied for) to:

Central Recruitment Cell

Reliance Group of Companies

c/o Reliance Industries Limited
3rd floor, Maker Chambers IV
222 Nariman Point
Bombay 400 021

Where growth is a way of life.

Mudra 8 RG 5378

APPOINTMENTS

earnest

Earnest Healthcare Ltd, a rapidly expanding Pharmaceutical Company under its expansion programme, is looking for result oriented personnel for following Post:-

ASSTT. REGIONAL MANAGER : (3)

Based at Cuttack, Hyderabad & Lucknow.
Minimum 5 Years' experience as First Line Manager.
Age: 32-33 Years

FIELD SALES MANAGER : (4)

To be based at Cuttack, Guwahati, Bihar and Lucknow. Minimum 2 Years' experience in same Cadre or 5 Years as successful Representative.
Age: 28-30 Years

PROFESSIONAL SERVICE REPRESENTATIVES:

Based at major towns of North East, Calcutta local, Bihar and Orissa.
Candidates preferred with less than 1 year's experience in the age group of 22 to 25 Years.
The Company Offers attractive remunerations, P.F., Gratuity Bonus, Congenial environment and scope for advancement for right candidate. Please apply within 10 days with a passport size photograph superscribing the envelope with the post and headquarter applied for, to:-

The Sales Manager
Earnest & Co.
Pharmaceutical Division of
Earnest Healthcare Limited
'Earnest House'
194, Nariman Point, BOMBAY-400 021.

IXED PERFORMANCE IN COTTON

roduction of cotton and blended yarn and fabrics (mill-made) declined during January 1989 compared that in the previous month. However, the higher level yarn production witnessed between October and December 1988 over that of the corresponding months of 987 continued in January 1989 as well. Yarn output uring the period April 1988 to January 1989, however, owed only a marginal increase over that of the corresponding period (April 1987 to January 1988).

OWER JUTE OUTPUT

he reversal in the rising production trend in jute goods, which began in January 1989, continued during February as well. Production in February registered a ecline of 6.4% over that of January. However, it was bstantially higher (25%) than production in the corresponding month of the previous year. Offtake of jute goods uring April-December 1988 was higher than that recorded during the corresponding period of 1987. During e first two months of 1989, despatches of jute goods ntinued to be higher than that a year ago.

ETROLEUM INDUSTRY DOES WELL

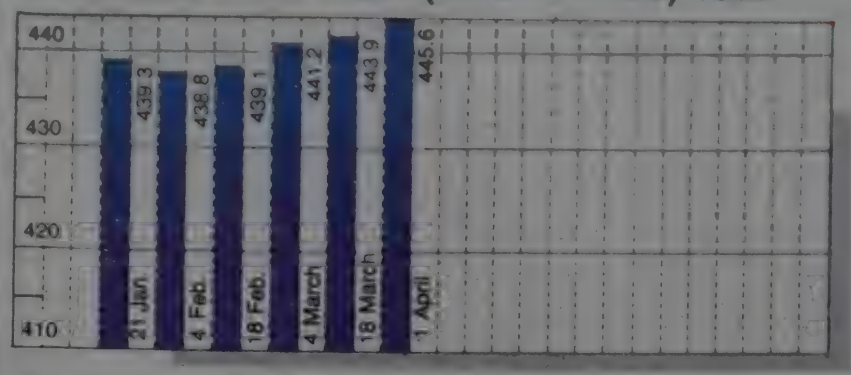
he performance of the petroleum industry was satisfactory during the period April 1988-January 1989. roduction of crude oil, at 2.76 million tonnes in January 989, was about 6% higher than the 2.61 million tonnes a ear ago. Similarly, production of petroleum products, hich reached 4.61 million tonnes in January 1989, was out 9% higher than the 4.22 million tonnes in January 988. For the period April 1988-January 1989, the umulative production of crude oil as well as petroleum roducts was about 6% and 1% higher respectively than at in the corresponding period in the previous year.

OAL PRODUCTION IMPROVES

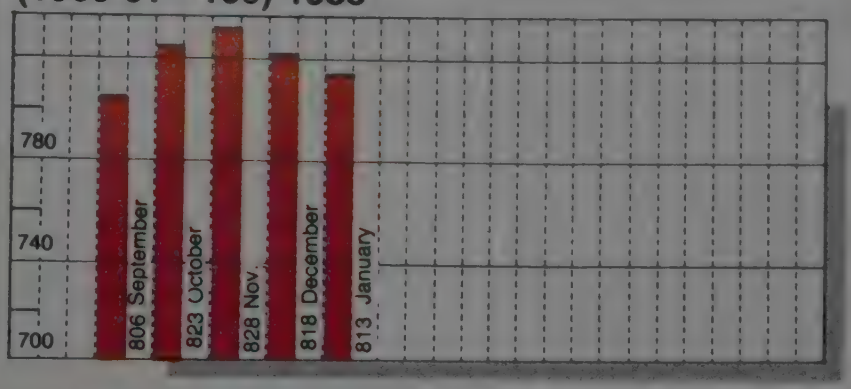
roduction of coal, at 20.14 million kg in January 1989, has not only recorded a further improvement of about % over the previous month, but was about 9% higher an a year ago. Cumulatively, production of coal, at 53.08 million tonnes, during the April 1988-January 989 period was about 7% higher than that in the corresponding period of 1987-88.

Foreign Exchange Rates (Spot) 1989	25 April (Rs)
One P Sterling	26.95
One US Dollar	15.75
One D Mark	8.47
One hundred J Yen	12.00
One Saudi Riyal	4.21
One Kuwaiti Dinar	54.25

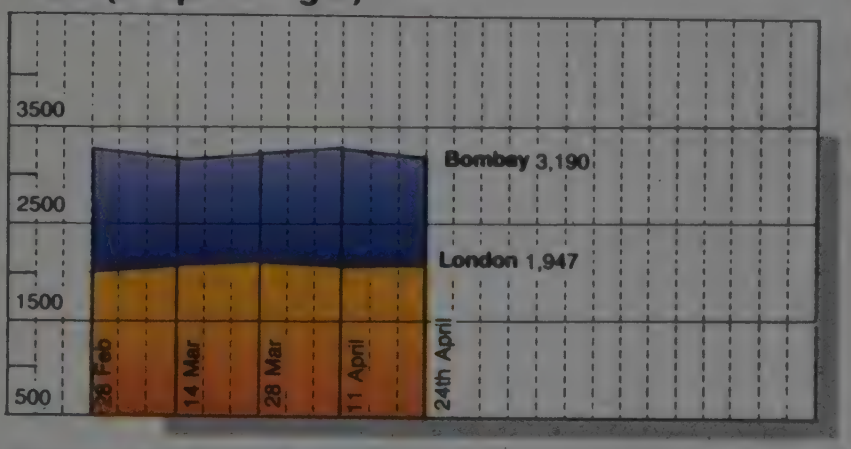
Wholesale Price Index (1970-71 = 100) 1989



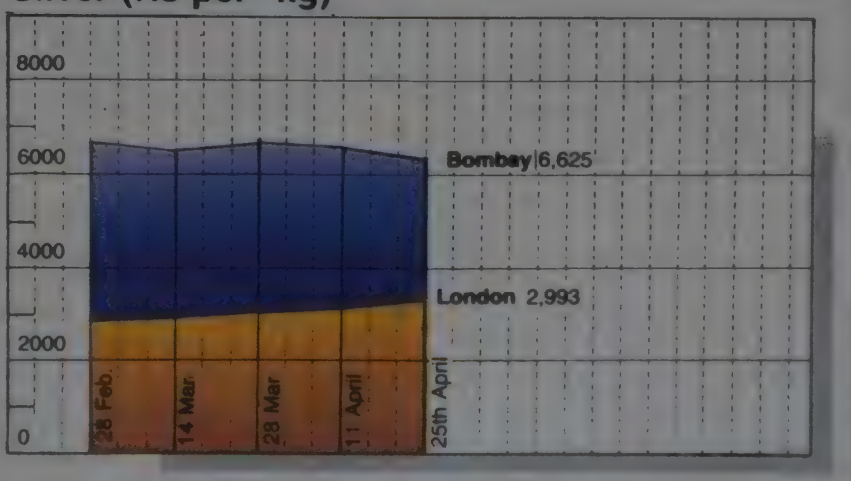
Consumer Price Index for Industrial Workers (1960-61 = 100) 1988



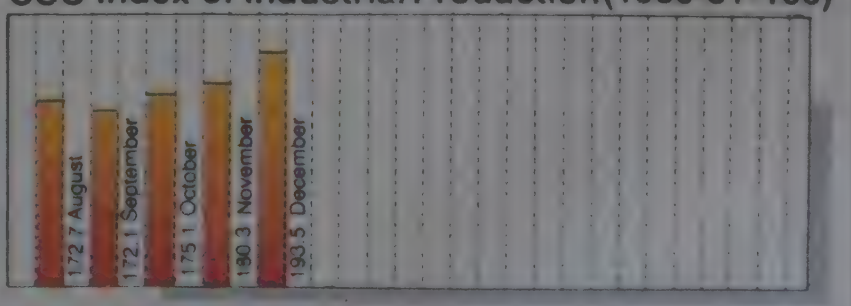
Gold (Rs per 10 gm)



Silver (Rs per kg)



CSO Index of Industrial Production (1980-81=100)



It takes TISTECH to pioneer



TISCON TMT
42 and 50 grades
(IS:1786) are available
in the range of 8 mm
to 22 mm diameter.

dia's first Thermo Mechanically Treated rebar

Presenting

TISCON TMT

from Tata Steel

Produced by world class "Tempcore Technology"

TISCON TMT. Yet another first from Tata Steel. Produced by the world's most advanced Tempcore Process that uses Thermo Mechanical Treatment (TMT) instead of conventional cold twisting to impart high strength to the bar. Introduced in India for the first time under licence from Centre de Recherches Metallurgique (CRM) of Belgium.

A premium quality product

Tata Steel owns its raw material sources and has the perfect combination of blast furnace, LD and Concast facilities. This ensures superior chemistry.

TISCON TMT is rolled in India's most technologically advanced Bar & Rod Mill to close dimensional tolerances and a superb surface finish.

As a result, TISCON TMT has a package of properties superior to the standards specified in IS: 1786.

Unique benefits

TISCON TMT can be used on its own or in combination with any conventional twisted bar to give unique benefits to the construction sector.

- High strength, guaranteed to IS: 1786 standards, coupled with superior ductility makes structures extremely safe.
- Extra high bendability leads to ease of fabrication.
- High corrosion resistant characteristics can be used with great advantage in all concrete structures.

TISCON TMT. First in technology. First in quality. First in benefits.



TATA STEEL

The first and still the foremost



SAPRU IS BRINGING BAT CLOSER TO INDIA

CLOSE TIES

The Calcutta-based cigarette giant — ITC Ltd. — is moving closer to its parent. The indications are that BAT Industries plc may up its stake from the current 31% to 40%.

The move is a fallout of the close ties BAT bosses have developed with chairman Jagdish Sapru. Under A.N. Haksar, ITC had largely been pursuing an independent path. But Sapru has been doing a lot to knit together BAT interests in India. Apart from ITC, BAT has a substantial holding in VST, Bhadrachalam Paper and Tribeni Tissues.

Besides, though sales in volume terms have been stagnating, ITC is now making more money than ever before. The other associate companies are also in fine fettle.

While the exact modalities have still to be worked out, it is possible that BAT may raise its holding by effecting a merger between ITC and Tribeni Tissues. BAT has a 51% stake in the latter and would thus have more than 31% in the merged company.

ADD ONE MORE

How many more merchant banking outfits does India need? The foreign banks have been longtime players in the field. The nationalised banks, which enjoy less leeway in operations to make profits, see merchant banking as one avenue to a better bottomline. Five of them are already in the field, and one more is now set to join them: Allahabad Bank. Its outfit is to be called Albank Financial Services.

But will the new subsidiary generate profits? Allahabad Bank has not been known for entrepreneurial flair *à la* Canara Bank. The former's credit card division, for instance, planned about a year back, is still in limbo: it has still not found proper premises, is still awaiting the delivery of the cards, and is still to sort out its arrangement with Bank of Baroda to float the card jointly.

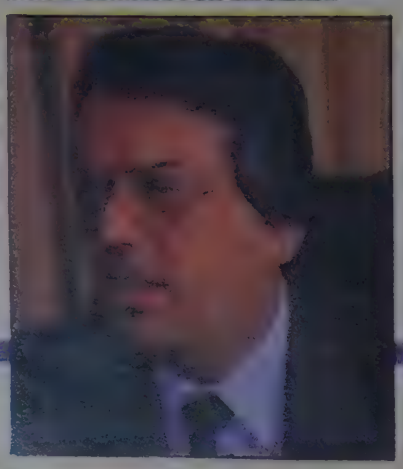
COLD-SHOULDERING CHHABRIA

The reported rejection by the Reserve Bank of Manu Chhabria's share transfer application for Shalimar Paints has not come entirely as a bolt from the blue to clued-in monitors. For several weeks now, a chill seems to have descended upon the Dubai-based industrialist's erstwhile cosy relationship with New Delhi. A concomitant fallout has been the apparent cold-shouldering of Chhabria by governmental financial agencies.

First, the Unit Trust of India sided with T.N.Subba Rao in the now-famous Gammon poll, despite Chhabria's allegation that Rao has violated foreign exchange regulations on several counts. The Reserve Bank's veto of the Shalimar Paints deal, which was concluded between Chhabria and International Paints plc last September, is the second piece of evidence to this effect in as many months.

But why this change of attitude? Those familiar with the capital's complex power games aver that the diagnosis is indeed simple: one is witnessing the adversarial wrath of Dhirubhai Ambani, whose clout in New Delhi's corridors of power is legendary. Apparently, Ambani is not amused by Chhabria's public pronouncement that he wants to be No.1 in Indian business and, accordingly, he is not taking any chances.

WHO'S GUNNING FOR CHHABRIA?



AMBANI'S GLOBAL AMBITIONS

Insatiable. That sums up Dhirubhai Ambani's growth impulses, but now he is upto something really unique: direct foreign investment. Reliance has just filed an application to set up a $ 650 million grassroots refinery (6 million tonnes crude throughput) in Dubai's Jebel Ali free trade zone.

The timing is perfect. The government is in a liberalising mood and the private sector may soon be allowed to raise money and set up capacities abroad.

Back home, Reliance is bidding for a 6 million tonne refinery at Bharuch that was originally proposed by Bharat Petroleum. The current thinking is that the project may be headed the joint sector way (Reliance with BP).

Nobody, however, is betting that Ambani won't get it all for himself.

OILY BRAIN-DRAIN

First it was doctors and engineers. Then it was software whizkids. And now it is the turn of oil and gas experts to be offered pots of money for jobs abroad.

Last month, a team from a Venezuelan oil exploration and refinery giant was in Bombay to woo highly competent engineers working in the refineries of Hindustan Petroleum and Bharat Petroleum. The Venezuelans also cast their net on a few private sector firms engaged in the offshore oil business.

The team has reportedly garnered a rich haul. Not surprising. The carrots offered: around $ 2,000-3,000 tax-free.



Swissair Excursion Fare. Less is more and more and more.

The pleasure of your company is a privilege we prize above all else. As your host, we make sure everything is just so: hot meals on real china with real cutlery and a well-chosen selection of beverages, reading material as well as 8-channel stereo musical entertainment from classical to pop. As for our immaculate service in the air, its heritage of hospitality hails all the way from the Swiss Alps. Yes, even when you fly with us on Excursion Fares, the fare you enjoy on board measures up to the Swissair standard without exception.

swissair

For details call your IATA travel agent or the nearest Swissair office:
AHMEDABAD 449149 • BANGALORE 571983 • BOMBAY 2872210 • CALCUTTA 444643 • COCHIN 360380 • DELHI 3325511 • HYDERABAD 224244 • KATHMANDU 222452 • MADRAS 861583

BUSINESSWORLD 10 MAY 1989
REGD NO. MH BYS-141 TN MS(C) 673 WB CC-525



1. Ahmedabad Motocross



2. Jaipur Motocross



3. Solapur Motocross



4. Karavali Motocross '87



5. Chandigarh Enduro Race



6. Earth to Sky Expedition



Ten out of Ten



7. Dhrangadhra Cross Country



8. Vidharbha Motocross



9. Scissors Tara Motocross



10 Karavali Motocross '88

Again the Narmada 150 Prince wins. The first and second positions at the Karavali Grand Prix National Motocross.

Not surprising really, for the Narmada 150 Prince. The winner of 9 previous motocrosses. Across India's deserts and mountains. Rocks and boulders. Country trails and city roads.

The Narmada 150 Prince. Powerful 150 cc engine, that delivers sheer power and dependable toughness. 42 kms. per litre fuel efficiency under city riding conditions. And a safe 1200 mm wide wheelbase.

The Narmada 150 Prince. Powerful, economical, stable and dependable.

Gujarat Narmada Auto Limited
GNAL
(A wholly owned subsidiary of GNFC)
Narmadanagar-392 015, Dist. Bharuch, Gujarat.

Narmada 150 PRINCE

Tough! So you can depend on it.

Mudra:A:GNAL:4

THE MAGAZINE FOR INDIAN BUSINESS

MAY 24-JUNE 6, 1989 AN ANANDA BAZAR PUBLICATION RS 6

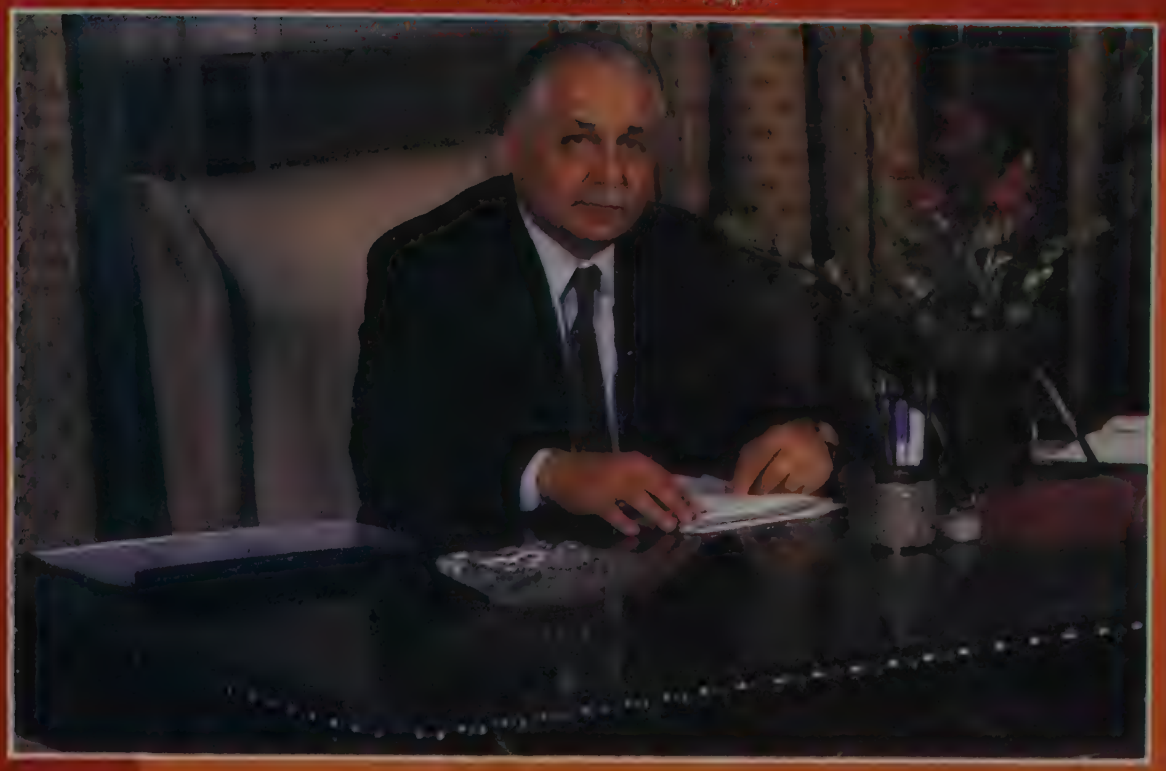
BusinessWorld

Birla 3M chairman Ashok Birla



- 3M COMES TO INDIA
- HINDALCO'S NEW SHEEN

ITC chairman J.N. Sapru



FROM VOLUMES TO VALUE

The Sapru years have seen a subtle shift in ITC's strategy. In cigarettes, despite shrinking markets, market shares and profits are up. In hotels, too, the move is upmarket. And, above all, new synergies are being tapped within the group, which includes VST Industries, Tribeni Tissues and Bhadrachalam Paperboards.

The more important the meeting, the more important the airline.



Lufthansa

LH 3685-2 DEL

VOLUME 9 ■ ISSUE 4
MAY 24-JUNE 6 1989 RS 5

BusinessWorld

the magazine for Indian business

Editor
R Jagannathan
Assistant Editor
Parthasarathi Swami
Delhi
Alam Srinivas
George Skaria
Bombay
Maya Rai Choudhuri
Debashis Basu
Calcutta
Sujoy Gupta
Bangalore
N Raghavan
Hyderabad
P L Diwakar Rao
Chief Sub-editor
Mukul Pandya
Sub-editors
K Madhavadas
Anil Wanvari
Roy Pinto
Niranjan Rajadhyaksha
Art Director
Amiya Bhattacharya
Layout
Hajoo Aslam E
Kiran Parker
Marshall Mascarenhas

■ **Editorial Office**
145 Atlanta, 209 Ceremonial Boulevard
Nariman Point, Bombay 400021
Phone: 221178, 233193
Circulation/Subscription enquiries
Bombay: Ph. 260268
■ **Head Office & Regd. Office**
Ananda Bazar Patrika Limited
6, Prafulla Sarkar Street, Calcutta 700001
Phone: 278000, 274880
Regional Offices
Bombay
145 Atlanta
209 Ceremonial Boulevard
Nariman Point, Bombay 400021
Phone: 240581, 240426
Delhi
1/7 IENS Bldg.
Rafi Marg
New Delhi 110001
Phone: 385401 Ext 37 (Editorial)
383058 (Editorial)
389078 (Advtg.)
Madras
Dents Garden, 18 Pattulos Road
Madras 600002
Phone: 869379, 868227
Bangalore
14, Madras Bank Road
4th Floor
Bangalore 560001
Phone: 568227, 568228
London
Wheatsheaf House, Carmelite Street
Fleet Street, London EC4
Phone: 01-353-1821
Inland Subscription Rates
One Year Rs 110
Two years Rs 210
Three Years Rs 310

BusinessWorld does not accept responsibility for returning unsolicited manuscripts and photographs. All unsolicited material should be accompanied by self-addressed envelopes and sufficient postage.

Published from 145 Atlanta, 209 Ceremonial Boulevard, Nariman Point, Bombay—400021 and printed at 6 & 9, Prafulla Sarkar Street, Calcutta—700001 for Ananda Bazar Patrika Limited by Ranen Chakraborty

BUSINESS QUOTES

■ **V.P. Singh (is) the Pamela Bordes of Indian politics, a person without any ideology, willing to politically bed anyone from Haji Mastan to Mr (Michael) Hershman, from Mr. Jyoti Basu to Mr. (A.B.) Vajpayee...**

K.K. Tewary, Union minister of state for information & broadcasting, quoted in *The Times of India*.



■ **We are interested in a power station and not in politics.**

West Bengal chief minister Jyoti Basu, referring to the political ping-pong over the Bakreswar power project, quoted in *The Economic Times*.

■ **Free us out of your plans.**

ONGC chairman Col. S.P. Wahi in a suggestion to the Planning Commission for more autonomy, quoted in *Financial Express*.

■ **In a state like Sikkim, it is difficult to get investors. People still hold on to their money. You know, the (currency) notes here smell of naphthalene balls.**

Sikkim stock exchange president M.M. Rasaily, quoted in *Sunday*.

■ **There's reason for concern but no reason to panic.**

Former finance minister Pranab Mukherjee on the balance of payments situation, quoted in *India Today*.

■ **It (panchayati raj) is a revolution that will bring democracy to the doorsteps of crores of Indians...It is a revolution that will replace paternalistic administration with administration by the people.**

Prime minister Rajiv Gandhi, quoted in *Business Standard*.

■ **Nepal wants to distance away (*sic*) from India simply to ensure that the democratic institutions do not infiltrate from across the border.**

Nepali Congress leader Ganesh Man Singh quoted in *Indian Express*.

■ **The fact that people...no longer want to remain silent and insist on making demands is viewed (by conservatives) as taking perestroika too far. I, for one, comrades, see this as a success of perestroika.**

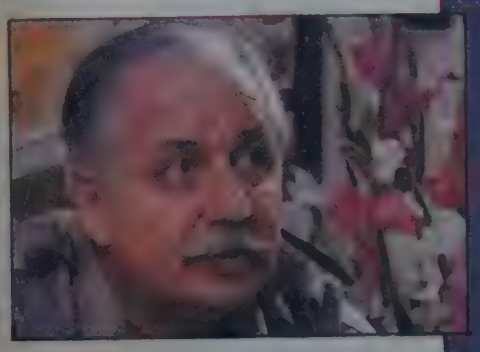
Soviet president Mikhail Gorbachev in an address to the Communist party's central committee, quoted in *Time International*.

■ **If the level of our heat (in experiments on fusion) was $1, the level claimed by the University of Utah would pay off the national debt.**

US phycisist Steven Jones on the improbability of the 'fusion in a bottle' claim made by two University of Utah professors in March, quoted in *International BusinessWeek*.

BusinessWorld

IN THIS ISSUE





ITC'S GHO VIRGINIA HOUSE. INSET: SAPRU

BUSINESS FEATURE

ITC: FROM VOLUMES TO VALUE

Under the leadership of chairman J.N. Sapru, ITC has put into effect a subtle shift in strategy, where volume is being substituted by value. The result: despite a shrinking cigarette market, profits and market share have risen. It is now attempting the same in hotels. A similar drive for profits is also evident in ITC's sister companies.

■ PAGE 57

IN THE NEWS

AWARD TIME AT INGERSOLL RAND

Ingersoll Rand India Ltd. (IRIL) has bagged the prestigious ET-HBSAI award. But chairman Jamshed Setna is less interested in trumpeting it than in charting out IRIL's diversification into more lucrative areas.

■ PAGE 30

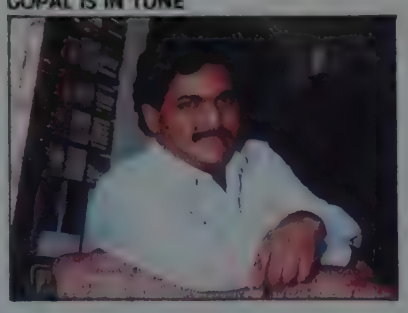
SETNA IS EXPLORING NEW AREAS



STREET SMART MUSIC MAKER

Shashi Gopal, managing director of Magnasound (India), wants to hit the big time in the music industry where major

GOPAL IS IN TUNE



players like HMV and CBS are recording more losses than music. "Chart-toppers we are bound to be," says he.

■ PAGE 31

BITS & BYTES AUCTION

Three musketeers have hit upon the idea of hawking second-hand computers through auctions. They expect a turnover of Rs 1 crore in the first year itself.

■ PAGE 31

WINNING THROUGH FOWL PLAY

Egg king B.V.Rao of Venky's chicken fame has built up a Rs 100 crore empire revolving around the fowl. His strategy: a series of backward and forward integrations.

■ PAGE 32

UNCORKING A PET GENIE

Chand Seth of Pearl Polymers Ltd. has found a rare gem in the polyethylene terephthalate (Pet) container industry. He is currently consolidating his position by setting up a new unit in Maharashtra.

■ PAGE 33

A PASSPORT TO AMUSEMENT

Shubash Goel of Essel World Amusement Parks has emerged winner in the fun park inauguration sweepstakes in Bombay. He is hoping to lure future visitors through a passport scheme.

GOEL IS HAWKING AMUSEMENT



■ PAGE 34

COMMENT

THE EMERGING URBAN BIAS

The consumer boom has made it imperative for marketers to view urban areas as a separate segment of the mainstream market with an independent support budget to boot.

■ PAGE 12

PROOFING AGAINST INFLATION

Inflation and recession management call for fire-fighting measures. While coping with inflation requires financial acumen, recession must be overcome with selling dynamism.

■ PAGE 23



BIRLA 3M'S FUTURE OFFERINGS

SPECTRUM

3M COMES TO INDIA

Actually, 3M, one of the world's most innovative companies, has been around for over a year. But it is now set to make waves with the launch of its famous products one by one in India. The first products include telecom connectors and tapes.

■ PAGE 44

BOOKS

ADMAN'S ADVICE

Going against the grain of academicians, John Philip Jones sets out revolutionary marketing concepts in his book *What's in a name?*

■ PAGE 28

ECONOMY & BUSINESS

A PRIVATE PATHWAY

Maharashtra chief minister Sharad Pawar has in a May Day announcement invited private industry to enter the infrastructure sector. Will the business barons bite?

■ PAGE 17

POWERLESS TO PLAN

Tamil Nadu is reeling under an unprecedented power crisis. The result is that the state has to re-think its industrial policy.

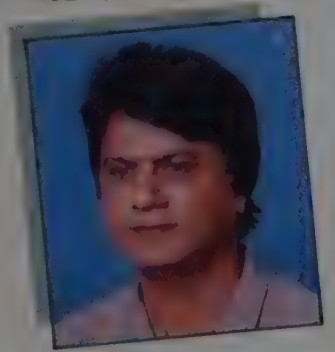
■ PAGE 18

MISSING THE BUS TO PROSPERITY

The Karnataka State Road Transport Corporation (KSRTC) has stopped placing orders for bus-bodies with private fabricators leading to a lot of casualties. Ashok Sharma of Azad Coach Builders warns there could be more if the corporation doesn't backtrack.

■ PAGE 19

SHARMA IS CRYING FOUL



A WAITING GOLDMINE

The plastics industry is in for a boomtime. And Bombay-based Plastindia Foundation thinks foreign investment could be lured through an industry meet it is organising in March next year.

■ PAGE 20



Courtesy Solitaire International

SPECIAL REPORT

DIAMONDS FOREVER?

Diamonds have been the export success story of the decade. And the taxmen have started taking note. But the real problems of diamantaires lie elsewhere: in the lack of modernisation and the growing threat of competition from South-east Asia.

■ PAGE 77

ENTREPRENEURS

BUTTERFLY TAKES WING

The Madras-based Butterfly group has earned a name for its household products in the south. Patriarch Murugesa Chettiar has been the driving force behind its growth.

■ PAGE 89



THE BUTTERFLY RANGE. INSET: CHETTIAR



OTHER PAGES

BUSINESSPEOPLE ■ PAGE 4
EDITORIAL ■ PAGE 5
LETTERS TO THE EDITOR ■ PAGE 6
GOVERNMENT WATCH ■ PAGE 7
CORPORATE COMBAT ■ PAGE 8
AD & MARKETING WORLD ■ PAGE 13
POLITICAL COMMENT ■ PAGE 14
ECONOMIC COMMENT ■ PAGE 15
TAXATION ■ PAGE 27
COMPANY NEWS & EVENTS ■ PAGE 35
TECHNOLOGY PLUS ■ PAGE 49
BANKING & FINANCE ■ PAGE 55
INTERNATIONAL NEWS ■ PAGE 65
PEOPLE & PLACEMENT ■ PAGE 72
MONEY & INVESTMENT ■ PAGE 83
STOCKMARKETS ■ PAGE 86
PICK OF THE JOBS ■ PAGE 94
EXECUTIVE CAREER PATH ■ PAGE 96
APPOINTMENTS ■ PAGE 97
ECONOMIC REVIEW ■ PAGE 117
OFFSTAGE ■ PAGE 120

The good life isn't all that good and fun's not fun either, unless one can share it. Hotelier Biki Oberoi, whose refined taste and preference for the better things in life are well-known, has adopted this credo as his own. Witness his emergence as a major patron of culture and sports. As his recent sponsorship of Zubin Mehta's triumphant Indian tour shows, Oberoi is naturally reserving his generous patronage for events which are in keeping with his hotel chain's upmarket business image.



BESIDES CIGARS, OBEROI HAS HIS EYE ON POLO

And as in music, so in sports. Oberoi has emerged as one of the few contemporary patrons of that erstwhile royal game — polo. Twice in succession, he has sponsored the Sudan Cup for which British and Indian army teams clash at venues alternating between the two countries. Right now, he's training up his own polo team, too.

"After all, some one has to make sure that these neglected parts of our heritage don't die," he reasons. Obviously, for a group which promises its clients the best, it makes sense to nurture the best too.

BOSE WOULD LIKE TO PICK-N-CHOOSE



Creditcapital Finance Corporation has just received the government go-ahead for its Rs 10 crore venture capital venture and managing director Udayan Bose is understandably all set to get cracking. But he wants this to be a fund with a difference.

"I don't want to be a mere moneylender," he says. "I want to be involved in hands-on management. We (the fund) want to come in as a partner of the promoter."

Obviously, he wants his Creditcapital Venture Fund (India) Ltd. to maintain a low profile. "I don't want publicity," he says. "I don't want people walking off the street and saying 'Hey, give me venture capital'." Given this warning, it should take a lot of gumption for anybody to venture in.

It's fission time in the ad world. Among those in Brownian movement right now is Sudhir Lal, till recently vice-president of Clarion Advertising Services Ltd. Lal has quit Clarion to head another agency styled Megacorp India Ltd.

LAL TAKES UP A MEGA-CHALLENGE



"The final exit was sudden and unpleasant," says he. Having stuck it out for practically a quarter of a century with Clarion, things soured after Chris Passanah left the agency a few months back. Lal, who along with Passanah had been opposing the formation of an officers' association at Clarion, was left in the hot seat. "These associations are always a haven for the incompetent," says Lal.

The new agency is being backed by H.S. Jalan of Indodan Industries. Agrees Lal, "Jalan has given me unstinted financial help." With Jalan aiming for the moon, Megacorp could well find some mega-accounts on its platter.



PLAY UNCLE SAM'S GAME

It is neither surprising nor amusing that a recent piece of American legislation — the Omnibus Trade Act of 1988 — should be sending jitters down Indian spines. Section 301 of this Act empowers the US government to take action against countries which impose unfair trade restrictions on US goods and fail to respect intellectual property rights.

Without doubt, India automatically qualifies for naming in the latter category. Protectionism is by no means an Indian monopoly, but few nations have sworn by this cult as devoutly as India did till recently. With misplaced skill, successive administrations in this country have woven an incredibly complex web of trade restrictions. These include import and exchange controls, tariff impositions, quantitative restrictions, preferential procurement practices, export subsidies, patent protection and investment restrictions.

And it would be decidedly churlish to blame the US for reacting to these impediments only now, having tolerated them for years. It is not a secret that the US economy is in a bind, what with that country having emerged as the world's biggest debtor. The need of the hour there is to reduce consumption, direct savings into investment and improve competitiveness.

Any Indian objection to the ground rule laid down in s.301 will naturally be dismissed as hypocritical. Free competition is the one principle we have as a nation often declined to tolerate at home. Obviously, we have throughout stood convinced of the virtues of protectionism. For the record, India has justified virtually all its import restrictions on balance of payment grounds; off the record, it is a well-known story that the restrictions are intended to protect domestic products from competition.

Therefore, instead of trying to sound hurt by s.301, India should rather learn to live with the changing realities of the international economic order. Having accepted this sobering fact, the imperative of the moment is to find ways and means of protecting our self-interest.

One possible route is to try and play Uncle Sam's game. For example, we could trade off Indian market access to push more exports of our own products, just as the US is doing. Or, India could gun for more bilateral arrangements rather than seek partial shelter under multilateral trade arrangements.

Simultaneously, in the shorter term, our diplomats and ministers will have to couple gentle persuasion with hardnosed lobbying to ensure that s 301 is not actually invoked and applied against India. The point must be categorically put across that it is simply unthinkable that US sanctions could apply to exports from this country: fair trade laws must obviously be fair to both parties.



THE BEST ?

We read your cover story 'India's best chief executives' (*BW* 29 March-11 April) with alarm and consternation. The rating is misleading and incorrect and the article has scores of inconsistencies and innuendoes. We have a few observations to make.

■ The basis of selection is highly improper. Why have CEOs who "no longer function under the searchlight of publicity" (*sic*) been ignored? This rules out, by your own admission, talented contenders like M.S. Patwardhan of Nocil and a host of other publicity-shy CEOs. Is being in the news a measure of a CEO's managerial talents?

■ The *BW*-MARG poll is only a perception study of certain popular corporate personalities as seen through the eyes of directors and/or vice-presidents of the top 250 private sector companies and the 50 largest public sector undertakings. The sample audience judged CEOs on predetermined qualities without giving any indication of their hidden talents or real grit. This has made the so-called survey very superficial and trite. This leaves you with no right to proclaim who is the "best" chief executive among the few listed ones.

■ The selection of qualities leaves much to be desired. Attributes like social awareness and the ability to institutionalise have not been considered. Also, the outstanding CEOs are likely to be strong on just two or three attributes. Moreover, the relative importance of an attribute depends upon the industry and the corporation being considered. The survey attaches equal weightage to all the attributes, thus making a CEO a textbook creature having all possible virtues.

■ We also find it highly objectionable that a self-made CEO like Dhirubhai Ambani should be compared with the likes of Rahul Bajaj and Ganguly who had established companies for managing. The comparison is simply not valid.

One can only hope that such exercises do not get repeated. Although such "surveys" can have a healthy effect on circulation figures, the cost in terms of loss of credibility is too high. It is unfortunate that such a thing should have happened just when *BusinessWorld* had begun to show a lot of promise.

MEHOOL PAREKH,
JAYESH SHAH
Bombay.

We will be the first to agree that our survey has several inconsistencies. We hope to rectify them in the future — Editor.

WHAT ABOUT MALLYA?

Congratulations on your analysis of the best CEOs (*BW* 29 March-11 April). After going through the article, I found that you have not included Vijay Mallya of the UB Group who suits your requirements to a T.

Mallya has consistently been in the news because of his new ventures, diversifications and the professional management of his companies.

I feel *BW* has done gross injustice in not identifying him as India's best CEO.

S.V. VENKATESH
Bangalore.

MALLYA SHOULD HAVE BEEN CONSIDERED



THRILLING

The Marketing article on 'Cooking claims' by Gita Manian (*BW* 29 March-11 April) was thrilling. One important point the author has missed is that of the marketing of cooking media targeted at lower-income consumers. Most of them cannot afford the higher priced cooking media available.

SUJAYENDRA DAS
Calcutta.

BAD JOB

It seems that the contents of your magazine are gradually deteriorating. The cover looks unattractive, and long cover stories are no longer published. And the ones you do write are not comprehensive and well researched.

I was shocked to see some errors in R. Vijayaraghavan's article 'A grandiose plan' (*BW* 29 March-11 April). In it he writes that the National Banking Plan has reduced the share of priority sector credit from 43% to 42%. How did he discover that the priority sector credit has been fixed at 43% and since when did the Reserve Bank give any such guideline? It seems you are publishing articles with out considering their merit.

SUDIPTA SENGUPTA
Calcutta

WANTED: FOCUS ON IDPL

I have been a regular reader of your magazine. I would be glad if you can publish an article on Indian Drugs and Pharmaceuticals Ltd., which is believed to be planning a collaboration with a Japanese drug company, reportedly the seventh largest in the world.

SUKANTA BALA
Thakurnagar
(West Bengal)

IIM-C ALUMNI DIRECTORY

This is to bring to the attention of all the alumni of the Indian Institute of Management, Calcutta, that an alumni directory is being compiled. We need information from old students on their names, their batch numbers, postal address (office and residential), telephone numbers and present employment.The information may be sent to: The Alumni secretary, B-102, Tagore Hall, IIM-C, PO Box 16757, Alipore Post Office, Calcutta 700 027.

RAGHUNATHAN V.
Alumni Secretary, IIM-C
Calcutta

LIBRARY & DOCUMENTATION UNIT
30 MAY 1989
C. F. T. R.

A BROADER GAMEPLAN?

Someone in the government apparently has a gameplan for the future of telecommunications in the country. And this is being revealed step by step. First, the government announced that the secretary of the department of telecommunications will head the telecom commission. This led observers to the conclusion that Sam Pitroda was out, since at the time of the announcement Satya Pal was the secretary. A couple of weeks later, Satya Pal was replaced by Pitroda, and the latter became the first chairman of the telecom commission. The former now has to be content with being a member of the commission.

Then came the abrupt disclosure that the electronics commission has been abolished with effect from 9 May. No reasons were adduced for the move and the chairman of the commission, P.S. Deodhar, was appointed adviser (media) in the cabinet secretariat to advise the government on the use of the electronics media for formal and non-formal education.

The summary abolition of the electronics commission appears to be another step to make the telecom commission all-powerful. Is it game, set and match to Pitroda?

ELECTION-EVE BULLDOZER

The government, it seems, has decided to brazen it out. It is no longer content with merely pulling strings from behind to get its way. Now it is openly into subverting the institutions which have been strengthening the roots of democracy.

Take the case of the last Public Accounts Committee (PAC) report on the HDW submarine deal. Against all conventions and norms, the Congress(I) members gave a list of paragraphs that they wanted omitted from the draft report and a few which they wanted included. PAC chairman Amal Datta, however, was adamant, and so the Congress(I) MPs could not get a stamp of approval on governmental action through a parliamentary committee. The report, nevertheless, could not be adopted as a consensus is necessary for this.

Apparently to avoid situations like this in the future, the ruling party saw to it that the next appointee as PAC chairman would be a man after their heart. P.Kolandaivelu of the AIADMK was its choice. A man who sits with the opposition but expresses sympathy with the ruling party could conceivably be an effective instrument in seeing that unpalatable reports on the ruling party do not muddy the waters in an election year. But will the opposition take this lying down?



WILL PACMAN DATTA HAVE A WORTHY SUCCESSOR?

Another institution that is a constant thorn in the government's side is the office of the Comptroller and Auditor General of India (CAG), an autonomous body under the constitution. Be it the submarine deal or the Bofors issue, the CAG's circumspect notes have been devastating for the government. The Congress(I) obviously wants to put the CAG in its place too. When the CAG gave short shrift to the ruling party's message to water down its comments, party members decided that the best approach would be to just sit on the report. So weeks after the report was presented to the government, and despite a clear constitutional requirement, the report is yet to be placed in Parliament.

The ruling party is thus tightening up on all loose ends. Moving K.K. Tewary, the party's megaphone, to the information and broadcasting ministry is a clear signal that the official media may be openly used for partisan ends. The season is ripe for brazenness. The government bulldozer has started rolling. Election time is round the corner.

FROM PREMIER TO PANCHA PRADHAN

The prime minister's move on *panchayati raj*, a hoary if much underused institution in India, may be a shrewd one.

That the move is entirely politically motivated has been confirmed by none other than Vasant Sathe, who has often been used by the ruling party to test the political waters before making a splash.

In a recent interview, Sathe said that since India had about 6 lakh villages, there would be at least 3 lakh panchayats. And since, on an average, there would be 10 *panches* (members) in each panchayat, there would be 30 lakh *panches* in all.

Added Sathe: "If we decide to have a *rashtra pancha pramukh* or *Pancha Pradan* elected by all the 30 lakh *panches*, he would have the sanction and authority right from the grassroot level. Let him continue to be answerable to parliament *as he is now* (italics added). But then, he would be in a better position and be far more representative of the nation."

If the government is doing some loud thinking through Sathe, then it is less than fair to the nation itself. The draft Constitution (64th Amendment (Bill), which intends to effect changes in the *panchayati raj* system, makes no reference at all to a *rashtra pancha pramukh* or *pancha pradan*, who will "continue to be answerable to Parliament, as he is now." There is no such person reporting to Parliament now. Who then is Sathe referring to? The prime minister?

Another provision in the proposed Bill which is likely to lead to confusion is the power that is to be given to governors to appoint a finance commission every five years to recommend the distribution of revenues between the state and the panchayats.

Presumably, the governor of every state will be appointing a finance commission for each state and different commissions can make different kinds of recommendations. Since state assemblies anyway have the final say on what taxes or levies the panchayats will collect, is there a need for such finance commissions?

One can only hope that the prime minister does not think that his *panchayati raj* Bill will be a panacea for all the problems facing the country.

BRANDING COMMODITIES



Applause is due for marketers trying to establish brands in commodity markets. On the face of it, it doesn't seem such an uphill task, but in reality establishing brands in these markets is as significant a feat as the scaling of Mt. Everest.

A commodity market, by definition, is one where products have little differentiation. Consequently, they normally tend to be markets with low technology inputs or low consumer involvement. In trying to build a brand in a commodity market, marketers add value either via technology or by trumpeting distinct product benefits. And the list of Indian companies attempting to do so has been growing.

QUALITY SALT

The Tatas introduced a brand in the huge salt market with their 'iodised' stuff. Not many consumers understand the concept of iodisation, but they react warmly to salt, well packaged, distributed and sold with the Tata seal of quality. Taking this a step further is a brand called 'Catch' which stands for salt as well as pepper. 'Catch' comes in ready to use packaging. Will it catch on?

Madura Coats is trying to build a brand 'Complements' in the blouse market. The sheer size of the market makes such a move worthwhile. If 5% of women in the country bought two blouse pieces each annually (at around Rs 20 per piece), the total size of the market would be around Rs 75 crores. If Madura Coats succeeds, it can swell its bosom with pride.

Toothbrushes, too, are low-involvement products where the retailer plays a key role in nearly 70% of all purchases. This means that 'the retailer is king' and trade margins are necessarily high. Around 1976, Hindustan Ciba-Geigy consciously shifted the emphasis to the consumer: one, by offering a distinctly superior product in Cibaca Angular Deluxe; two, by advertising it, and three, by reducing the trade margin for the product. This strategy has paid off handsomely. Ciba-Geigy thus built brand loyalty in the premium segment of the toothbrush market and now dominates it with nearly 60% market share. The strategy has been so successful that all the other companies are now offering me-too toothbrush versions also called "Angular Deluxe."

Another attempt to make a product of a commodity concerns rice, a staple food across the country. Usually, there are various grades of rice from which the housewife takes her pick. 'Sohna' is a brand of packaged *basmati* rice which is now available in many parts of the country. The press ad shows a marriage ceremony, with the baseline... 'For special occasions like these..." While marketing *basmati* rice in packs is in itself a good idea, the communication effort for 'Sohna' is not. Simply stated, one doesn't used packaged rice for occasions like marriages — one needs gunny bags of it. Hence, should 'Sohna' be positioned as a 'special small party' product?

Venky's chicken is possibly another excellent example of building a brand in a commodity market. With a distinctly superior chicken that has been advertised very well, Venky's has stolen its way ahead into the non-vegetarian's stomach. Surprisingly, Venky's wasn't the first to sell branded chicken, but the company certainly got its act right, the very first time. Venky's (barring bad luck) should surely be on its way to national fame in a couple of years.

In executive writing paper, another commodity market, Tribeni and Orient Paper are pitching away to build brands. Their ads are aimed at none less than chief executives! A sure way to get change?

INCREASING LIST

The list of firms trying to build brands in commodity markets is bound to increase as leaps in technology take place, technology becomes universal and as long as someone is willing to put in painstaking effort. The sheer size of these markets make them attractive, but attitudes about price and quality need to be changed in favour of the brand one is trying to build. Brooke Bond's Sona spices will go national this year. The spices market already has a number of regional brands. The success — or otherwise — of Sona will determine whether it is go or no-go for the many other rivals.

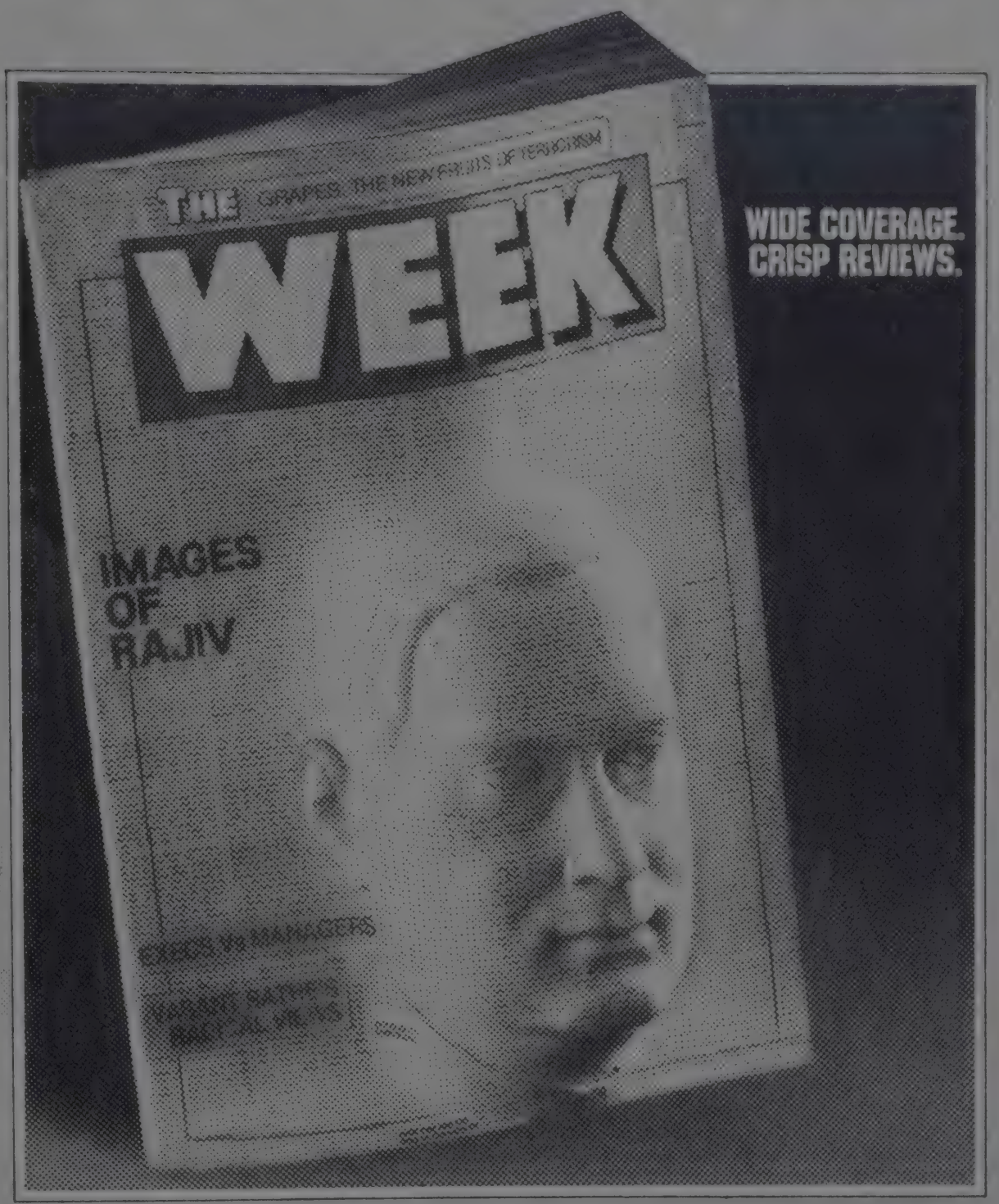
Ultimately, if one wants to sell a commodity, there are two choices — price or service. And people who compete on price will not be around for long since they are vulnerable. Anytime a competitor drops his price, the edge is gone. Sure, price is important, but almost everyone takes some other things into account, too. The other things could be convenience, reliability and exclusivity. In a commodity market, anything one does to make a consumer's life easier is going to help build brands. There is no such thing as a commodity. Every single thing can be differentiated.

■ *D. Shivakumar*

The author is a Bombay based executive.

In a commodity market, anything one does to make a consumer's life easier is going to help build brands

WELL BRED. WELL READ.



Open the new look Week, and get engrossed in the restructured article mix – topical cover stories; eye-opening special reports; well researched reviews; incisive cartoons; vivid photographs and accurate opinion polls.

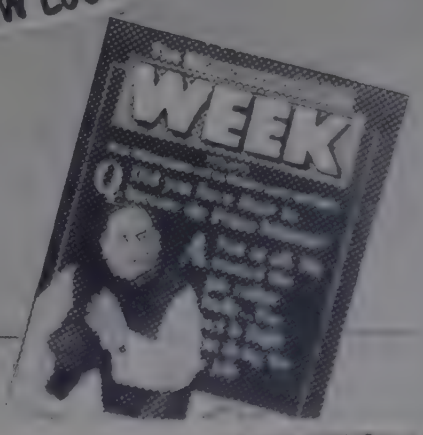
The Week. It has always captured the events of the past seven days in a crisp, concise style – accurately gauging political undertones both national & international, closely monitoring the pulse of business & industry, keeping abreast of science & technology, providing a ringside view of sport events worldwide, tracking crime, besides bringing to light the latest developments on the art & entertainment front.

So to get an exclusive, in-depth view of the past seven days' events, grab the latest issue of The Week. Contact your nearest newsagent, today!

The Week was the first Indian magazine to do:

★ A revealing story on Indira Gandhi's assassination ★ A story on Gavaskar's 29th century & 10,000 runs ★ A cover story on AIDS ★ A story on Halley's comet.

NEW LOOK



NOBODY COVERS THE PAST SEVEN DAYS, THE WAY WE DO.

Ashok Leyland Limited

19 Rajaji Salai Madras 600 001

40 Years and a new Energy to Excel

Highlights of the Speech delivered by the Chairman ***Mr. Mantosh Sondhi*** *at the Fortieth Annual General Meeting on 25th April 1989.*

Fortieth Anniversary

This year's Meeting commemorates the fortieth anniversary of your Company's operations. Your Company was incorporated in September 1948 by Late Raghunandan Saran as Ashok Motors Limited to assemble Austin cars. During 1950, the Company acquired the sole rights for distribution and assembly of Leyland commercial vehicles, and in 1953 opted for establishment of indigenous automobile manufacture. Your Company chose commercial vehicle for manufacture in recognition of India's developmental needs, and entered into technical collaboration with Leyland Motors Limited, UK. Leyland Motors also participated in the equity of the Company and your Company was renamed as Ashok Leyland Limited.

It is a matter of deep satisfaction and pride that during the last forty years, your Company has consistently played a key role in India's socio-economic development by producing a range of commercial vehicles calculated to meet India's growing transportation requirements effectively. Ashok Leyland's corporate strategy and performance have, in fact, mirrored India's quest for technological development and industrial growth.

On this occasion, we recall the pioneering spirit and vision of the Founder of your Company, Late Raghunandan Saran, the sustained assistance and advice from our principal shareholders and technical collaborators and the cumulative efforts of employees and management over the last forty years, which have together helped your Company to play a significant role in India's automobile and road transport industries. It is heartening that in its fortieth year of operations, your Company has crossed a new milestone in turnover and profitability.

We are also very happy that Mrs Raksha Saran, an eminent personality in her own right, continues to maintain her long association with your Company as Director Emeritus.

Ever since the introduction of the COMET range of vehicles in the fifties, 'Ashok Leyland' has become a name synonymous with toughness and reliability. The introduction of successive new product designs and the achievement of sustained technological upgradation have resulted in a wide product range with vehicles suited for diverse operating conditions and needs. Your Company can justifiably take pride in having introduced, ahead of any other manufacturer, a number of pioneering vehicular concepts for upgrading productivity of transport services.

Despite a stagnant demand over the last six years, your Company has not deviated from the objectives of excellence in quality and the establishment of additional productive capacity as necessary and has continued to pursue the goals of technological development and commercial competitiveness. The sustained satisfactory financial performance overcoming the vicissitudes of demand is a reflection of the intrinsic strength of your Company.

A New Era

A new era for your Company began in October 1987 when the principal shareholding of the Company was taken over by the Hinduja Group alongwith IVECO, who are the technical collaborators.

The Hinduja Group is a trans-national organisation with international marketing expertise, considerable financial strength and entrepreneurial skills. Their commitment and professional approach has strengthened the morale and motivation of your Company's management team.

As I mentioned in my statement to you last year, IVECO are the second largest manufacturers of commercial vehicles in Europe. With their association, your Company has access to the latest technology and, based on this knowledge, has been able to identify product strategies to be adopted for the future range of vehicles. Your Board will gradually be in a position to take major investment decisions appropriate to these strategies.

The future holds even more significant challenges and opportunities for your Company in the emerging scenario, where India's development goals are increasingly focussing on the attainment of international competitiveness.

To the credit of Hinduja-IVECO group, I would like to acknowledge that they have continued to support the high standards of professional management for which your Company has earned an enviable reputation. This indeed is a happy augury for the future.

Review of Operations

Total industry volume for medium and heavy duty commercial vehicles registered a significant growth in 1988 compared to the previous year. Your Company has achieved a record sale of 18027 vehicles compared to 15966 vehicles in the previous year. Despite severe competition in traditional overseas markets, your Company was able to maintain the export of vehicles in 1988 at the same level as in the previous year — 445 numbers. Sale of engines was higher at 3180 compared to 2923 in 1987. Spare parts turnover also registered an impressive increase.

The gross turnover of the Company increased by 23% from Rs.428.49 crores in 1987 to Rs.527.85 crores in 1988. Gross profit before depreciation, financial expenses and taxation was Rs.53.18 crores for 1988, compared to the previous year level of Rs.40.19 crores. Despite continuing credit support to customers, financial expenses were contained at Rs.17.74 crores compared to Rs.18.45 crores for 1987. Profit before tax for the year more than doubled at Rs.20.58 crores compared to Rs.9.14 crores in 1987. Your Company's operational results for the year validate your management's strategy of effective utilisation of resources and continuous control of operating costs.

In view of the improved performance, the Directors have recommended an increased dividend of 21% on the share capital compared to 18% in the previous year.

Outlook for 1989

Market trends in 1989 continue to be encouraging with increasing customer acceptance of the Company's products. With strong support from the principal shareholders, your Company looks forward with confidence to yet another successful year in 1989.

With a view to meet the normal capital expenditure including replacements — the costs of which have now gone up significantly as a result of inflation — and to finance long-term working capital, your Company is proposing to make a convertible debenture issue on Rights basis. The issue size including equity aggregates to Rs.51.56 crores. Your Company is seeking your approval for the terms of the issue by a separate resolution. Approvals of the Controller of Capital Issues and financial institutions have been sought. I am confident that with your wholehearted participation, the proposed issue will be a great success.

Product Plans

During the year under review, new products introduced by your Company received encouraging customer acceptance.

The HINO engine introduced as an optional fitment in passenger vehicles continued to be very well received due to its fuel efficiency and reliability. Many State Transport Undertakings have expressed their satisfaction at the excellent performance of the engine.

'Chital', the mini-bus introduced in 1987, has also been well received by customers, both at home and in export markets. The companion model as a truck, 'Comet Junior', with a 4 tonne payload, will be introduced in 1989.

A highlight of 1989 product plans would relate to the introduction of a normal control-bonnetted medium duty vehicle designed for certain unique applications and operating conditions.

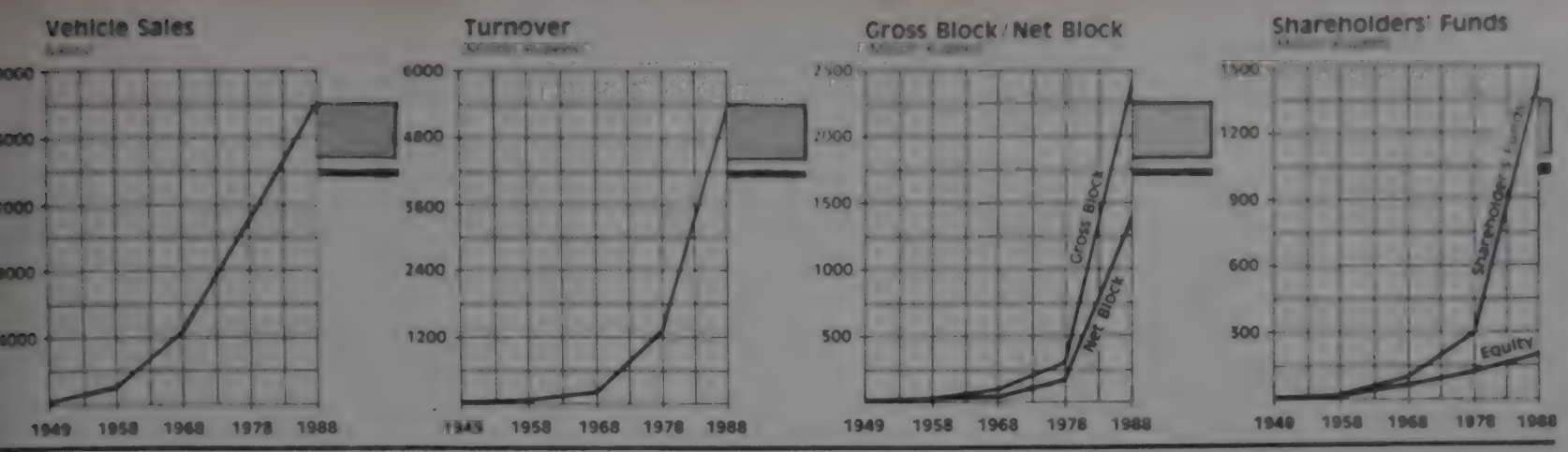
Your Company believes that multi-axled vehicles and tractor-trailer combinations are indispensable in a contemporary transportation system. As a result of years of dedicated R&D work, our range of multi-axled vehicles and tractor-trailers enjoy a dominant presence in the market for such applications. During 1989, your Company will add a new 24 tonne GVW vehicle to this unique range. The vehicle is developed in a 3 axle configuration and incorporates a retractable second rear axle for optimum operating economics. The vehicle will be yet another ideal choice for a wide range of applications such as LPG and petroleum transport vehicles and water tankers.

As part of the ongoing product upgradation, the popular 34 tonne GTW Tusker Turbo Tractor is being supplemented with a 35 tonne GTW companion model to reflect permissible axle load limits. The introduction of this new product will improve operational economics.

While striking an optimistic note on the role of vehicle technology in meeting haulage requirements, I would be remiss in my duty if I do not draw the attention of policymakers and the road transport community to the imperatives of urgently restoring the transportation priorities and shoring up the road system in India.

Transportation Challenges

India has, no doubt, made commendable progress in developing a basic transportation infrastructure. Within the transportation system, the share of road transport in overall traffic movement has been continuously increasing, according to recent studies, road transport presently accounts for an 80% share in passenger traffic and a 59% share in freight movement. Quite apart from the planned development of rural markets, technological improvements in commercial vehicles enabling higher loads and longer leads have greatly contributed to the vastly enhanced role of road transport. There has, however, been no matching increase in quality and



extent of road network which has resulted in acute congestion and severe transport bottlenecks.

Though the initial Five Year Plans emphasised the importance of road building and commercial vehicle manufacture, the priorities appear to have changed over the years. The momentum of road building decelerated while the emphasis on public transportation and efficient haulage by road waned. The world over, the introduction of efficient modern automobiles has been facilitated by construction of high quality motorways while in India deteriorating road conditions and neglect of road maintenance have continued to characterise the road transport infrastructure. India has been moving precipitously towards a serious traffic crisis. At the core of the emerging crisis lies a reluctance to allocate requisite resources to road development and develop a progressive fiscal policy supportive of road transport.

The expenditure on roads as percentage of total plan expenditure has declined from 6.7 in the First Five Year Plan to 2.9 in the Seventh Plan. The share of roads in transport expenditure has declined from a peak of 34% in the Fourth Plan to 23% in the Seventh Plan. This highlights the present wrong priorities in regard to the development of an efficient transport system. Sectoral investment on railways which moves a lower share of overall traffic is nearly two times the investment on roads and road transport. While no one would deny the need for modernisation of the railway system for efficient movement of bulk traffic, what is necessary is the simultaneous and co-ordinated development of both rail and road transport. Even the Railways need a backup of an efficient road transport system for improving their own traffic handling capacity; and increasingly, the Railways have themselves been keen to shed short to medium distance traffic as well as the movement of 'smalls'.

While it is well known that the transport system expands as development progresses, it is not often realised how the transport system itself can lead to development. In India, industrial dispersal to backward regions could take place and economic linkages between urban and rural sectors could be consolidated only after road network has been substantially expanded. Better communications provide the key to development; and in this connection, a network of good roads linking up the different parts of the country is a prerequisite to the development of the economy. Thus, inadequate funding of road development must act as a damper to development.

Apart from the inadequacy of transport infrastructure, which impedes growth, the deficiencies of even the existing road network involve serious economic costs. Inadequate lane width, poor pavement surface, incorrect geometry, conditions of near immobility of traffic and acute congestion characterise the road system leading to high wear and tear of vehicles and increased operational costs. It is estimated that as much as Rs 500 crores of fuel is wasted per annum due to the above conditions, while several hundred more crores are wasted on account of accelerated wear and tear of tyres and parts. The punishing road conditions have, in fact, inhibited efforts for value engineering of vehicles.

Apart from the directly quantifiable costs, substantial economic loss is incurred by traffic delays and human tragedies such as accidents. Inordinately long commuting times and avoidable transit delays reduce productivity of manpower apart from affecting the productivity of fleet.

Road construction, in itself, is a potential area for employment generation. Development of new roads facilitates introduction of additional transport services and thus contributes to a continuous spread of gainful self-employment. Road sector deserves a higher priority in the planning process on this score as well

A major dilemma facing the planners in a developing economy relates to the allocation of scarce resources simultaneously to a number of sectors. And yet, declining investments, further diluted by inflation in a key infrastructure like road transport, will act as a barrier to mobility and impose a blockading effect on all other growth sectors. A solution to this problem has to be found.

Transportation Strategy

The crux of the strategy for coping with the transportation problems relates to marshalling of resources needed for the task of road development and reconstruction. A recent Planning Commission exercise has reportedly identified an investment need of Rs.81,270 crores over a 10-year span, implying an yearly average investment of Rs.8127 crores. Against this, the allocation in the Seventh Plan averages only Rs.1040 crores per year. There is evidently a need for a bold policy initiative to overcome the problem of resource constraint.

It is ironical that road development in India has to be starved of funds when the road users contribute through various taxes, a level of revenue, which is several times the current level of allocations. It is time that the planners take a fresh look to achieve a more reasonable parity between tax collection from the road transport sector and its redeployment for road development. Such an approach would go a long way to speed up the rehabilitation and proper maintenance of the existing road system.

Quite apart from such an approach, there is need to plan resource for a futuristic component of road development. The strategy for road development must focus on a qualitative change in the nature of road network by the turn of the century. Expressways and four laning of national highways and road-based urban mass transit systems will need to be an inseparable component of our strategy for modernisation and economic growth. Construction of such roadways will, however, require massive funding which may be beyond the capabilities of the existing resource base of the economy. Having regard to the fact that such modern road systems will provide to the road user tangible economic benefits in terms of faster vehicle turn-around and better operational economics, a user-based funding strategy may be appropriate. The principle of allocative efficiency requires, by and large, that users of goods and services pay for the real costs thereof; and in line with this principle, there is need to develop the system of toll-paid Expressways, where the users pay specifically for the use of a better, faster road transport system. The Indian private sector as well as foreign investing/lending agencies including Non-Resident Indians have evinced interest in modernising India's road transportation system on this basis; their resources need to be tapped with an appropriate policy package.

While the Government have, in the past, expressed their willingness to open up road development to private sector participation and foreign investment, there has been very little progress in that direction We need to appreciate that road construction involves large financial outlays and long gestation periods and each project will have significant socio-economic ramifications. The investor will need to be assured that the project will make commercial sense over a pre-defined timeframe which is the only way in which the required capital for the modernisation of roadways can be tapped and augmented on an ongoing basis.

Apart from a firm policy commitment to encourage private/non-resident Indian capital, the Government should facilitate lower investment costs by suitable fiscal incentives. It will be essential to speed up the acquisition of litigation-free land to support speedy completion of the projects. Policy should also permit a mechanism for fixation of viable road user charges and collection.

Road development is one of the most daunting challenges that India faces in its quest for economic progress. A bold and progressive policy change involving unswerving commitment to road development, an equitable recycling of road user tax revenue and flow of private funds for highway development are essential to ensure that the benefits of improved vehicle technology are effectively translated in terms of greater mobility of population and faster economic development.

Appropriate vehicle technology is a vital concomitant strategy for optimising road usage efficiency. I have already referred to your Company's vanguard role in introducing high performance vehicle concepts to upgrade productivity of transport operations. I would like to assure the road transport community and the Government of our total commitment to sustain development of a commercial vehicle range that will reflect contemporary technological trends and yet is appropriate to India's operating conditions.

Associate Companies

During the year under review, Ashok Leasing and Hire Purchase Limited was renamed as Ashok Leyland Finance Limited (ALF). You will be glad to know that ALF has extended its operations to all major regions of the country and has achieved a significantly higher volume of business.

Automotive Coaches and Components Limited (ACCL) continued to make steady progress. The company has taken up manufacture of bodies for AL vehicles. The company also manufactures front end structure offered on AL's premium vehicles, apart from bus bodies for select export applications.

The progress of these two associate companies in India enables your Company to be of greater service to our valued customers in terms of offering fully built trucks and buses, and extending sales financing support for customers where required.

Note: This does not purport to be a record of the proceedings of the Annual General Meeting.

THE EMERGING URBAN BIAS

With the sharp inflation in media costs, marketers should ensure proper and cost-effective coverage of urban areas without much media wastage

In the urban Indian markets today, the consumer is rapidly emerging as the king. All signs are pointing towards a consumer boom fuelled by changing lifestyles, better standards of living and growth in disposable incomes. But this is largely restricted to the urban market. Adding to the urban bias is the fact that it is the only market which can boast of a reasonable mass media and retailing infrastructure. This has resulted in frenzied marketing activity in launching new improvements in products and packaging. Obvious examples are tetrapak soft drinks, athleisure footwear and packaged foods.



The implications for Indian marketers are very clear. No longer can India's urban markets (more so the metros and mini-metros) be viewed as being a part of India's mainstream of markets. Urban markets have now to be accorded priority status and considered as a separate and important chunk of the total market with perhaps an independent support budget as well. The reason is simple. Given superior retailing and mass media infrastructure and a more literate and discerning consumer, the chances are that consumption of nearly all non-durables will be more in these markets. Competition makes it even more important for marketers to protect, consolidate and build upon their positions in urban markets in order to safeguard themselves.

What this really calls for is more focused and stepped-up media coverage in urban markets. A look at the mass media scene only endorses this view.

Strangely enough, while in the case of products and services India is graduating from a seller's market to a buyer's market, in the case of mass media services there is still very much a seller's market. This is because growth in media has not kept pace with market growth. India is still a media-starved country in that demand for media space far outstrips its availability. This has only led to a sharp inflation in media costs, much to the chagrin of marketers and that too at a time when competition has intensified. The growth of mass media has also been highly skewed — being more in urban markets and insignificant in rural areas. This has made mass media advertising even more city-slanted than ever before.

The reasons for an urban-concentrated media infrastructure are not difficult to understand. The growth of the urban press media has been influenced by the comparatively higher literacy levels in these areas. Better purchasing power has helped in the concentration of TV and video sets in urban areas. The number of cinema halls (estimated at around 14,000) has also been low in relation to the population and, therefore, the largest concentration of halls is around cities. The only exception may be radio sets, as they are geographically better dispersed. But they can do little for the media scene as radio is, after all, only an audio medium.

As the importance of urban markets has increased further and there has also been a sharp inflation of media costs, it has become doubly important that urban markets be cost effectively covered without much media wastage.

This approach becomes even more important in the case of regional/city specific brands which are now hitting the bazaar, especially in the case of packaged fast food products. Marketers of city specific/urban brands simply cannot afford media wastage.

This means a shift in emphasis from exclusive reliance on national media to media which offer scope for localising reach. This automatically means that cinema, outdoor media and local TV (second channel) will be increasingly used in the coming years. This is not to say that one should exclude the national media. But it does mean a shift emphasis wherever possible. A quick media audit would point out that in many instances the best city specific reach is provided only by national media although media spillover is equally high. In such instances, the marketer has to make the hard choice between high reach clubbed with high wastage and media where wastage levels are lower but the reach is also less.

While building up city-specific media plans some pointers should be borne in mind:

- In metros and key-city markets, sales monitoring should be done locality-wise and any volume/market share loss in a locality should be recovered within the same locality. Thus, each locality should be viewed by the sales team as a separate market. This will help build a more stable sales base.
- Every city has an acknowledged economy market e.g. Karol Bagh in Delhi or Dadar in Bombay. Outdoor media coverage in these crucial areas should always be more intensive.
- Institutional and departmental stores cater to a captive and shop-loyal segment of consumers. Glow signs in these outlets are viable media buys.
- In localities with known ethnic concentrations, outdoor advertising in that vernacular will provide more focused reach.
- Care has to be taken to avoid spreading outdoor media too thinly across a city. It would be more cost-effective to concentrate exposures in key sales localities.

But all this, of course, needs one more ingredient for success — marketing savvy. The lesson of an urban market, which many learn too late, is that if the consumer is sold a pup he can bite back.

■ *Ramesh Kumar*
The author is area sales manager, Wimco, New Delhi

BANGALORE'S JOB-HOPPERS

Bangalore's admen seem to be in the grip of an agency-hopping fever. Contract's media controller George Mathai is likely to shift to Everest, taking along with him a couple of his colleagues. Everest's branch manager Prabir Purkayastha is moving to O&M (earlier OBM), Bombay, and media controller Achuthan Kutty to Mudra, Ahmedabad. Further, HTA's media director Ambika Srivastava is tipped for a similar slot in O&M, Bombay.

In another development, Chintamani Rao of O&M, Bombay, is believed to be planning a hop to O&M, Bangalore. That's not all. Two of MAA Communications' senior media executives are tipped to join Contract. Who said Bangalore admen aren't as mobile as their Bombay brethern?

NICE BATTLE

Cadbury's is continuing with its efforts to gain a foothold in the biscuits market. Its new interests in icecream (Dollops) and milk beverages (Enriche) have not mellowed the biscuit mania.

There is a method to the mania: all efforts seem to be channelised into creating me-toos of Britannia brands. Hence Glucose inspired the Cadbury's Butter Glucose and Pure Magic provoked Choco Bix.

The attack has become more frontal now. One of Britannia's big sellers is Nice. The official pronunciation is 'niece', but to Indian consumers it has always been 'nice'.

Taking off on this mispronunciation, Cadbury's has introduced a deemed superior biscuit, Very Nice.



In appearance, Very Nice is the rich cousin of Nice. In taste, however, there is a difference. The hint of coconut flavour and the crumbling crispness of Nice are absent in the Cadbury's brand. Consumers will have to decide which one is nice and which very nice.

RECKITT'S ROBIN BLEACH

Reckitt & Colman (India), famous for its Dettol, Brasso and Harpic brands, is all set to pioneer another category — liquid bleach. The product is now being test-marketed in Calcutta.

Facing stiff competition for its powder blue, Reckitt is trying to extend its penetration in the post-wash fabric treatment market by trying another tack. Thus, the liquid bleach which, however, is sheltering under the umbrella brandname Robin.

The use of bleaching powders to whiten white cottons and to remove stains is a common practice. However, the market has not seen the launch of any major branded bleaching powders. Reckitt is trying to fill the gap using the altered product form — liquid in place of traditional powders — to establish product sophistication.

To ensure trial, the product has been positioned on a multiple benefit platform. The promise to whiten "dull whites" and to remove stubborn stains is not too different from the benefits of ordinary, unpromoted bleaching powders. What is new is the additional benefit of a germ-free wash. However, given the rather apathetic attitude to total hygiene in India, the product's USP might not have universal appeal.

The liquid bleach could well poach on another Reckitt market. It is already customary to disinfect clothes worn by babies and liquid Dettol is often used here as a post-wash treatment. The beneficial germicidal wash can now be extended to all clothes as the liquid bleach is far cheaper than Dettol. Priced at just Rs 11 for a 500 ml bottle, it is sure to notch up a high trial rate on price alone. The extensive window displays in all leading retail outlets will enhance trials.

A problem could, however, crop up in pushing the liquid bleach as a daily-use product. Currently, most housewives feel that the occasional sprinkling of an equivalent — Dettol — is enough. Unless Reckitt gets over this hurdle, it could well be taken to the cleaners.



A MILKLESS STRATEGY

Britannia seems to have turned full circle. Decades ago, Britannia bread was a household word. Factory-made, evenly-sliced, antiseptically-packed, Britannia bread made up on hygiene what it lost out on cardboard taste.

In its wake, Britannia spawned a number of brands — locally manufactured and similarly tasteless. The battle for the bread market changed as Britannia's competitors graduated from local bakery loaves to factory-made me-toos. Consumers soon demonstrated their fickle-mindedness, forcing Britannia to search for a more substantial product feature. The outcome: milk bread.

Britannia has, however, not felt the need to explain the product features. This is odd considering that selling the concept of milk bread is more difficult than hawking an ordinary loaf. Milk bread can serve only as a breakfast cereal while ordinary bread can be had any time. The ad creative reinforces this belief: the near-copyless visual is of a breakfast table.

The breakfast habits of Indians don't lend themselves to any substantial consumption of bread. Indian dishes are more often the breakfast fare. Bread bought for breakfast often gets consumed between meals. The problem with milk bread bought for breakfast is that it must be had for breakfast alone. That could well deter purchases. Britannia may thus find it difficult to milk the bread of its potential.

BULLYING NEPAL?

A running theme in Nepal's complaints against India is that New Delhi is "flexing its muscles" and has taken on the role of a big bully in the region. Given that, potentially and actually, India happens to be the predominant country in the subcontinent, this is a line of propaganda with some plausibility. It has been well received by the habitual Indian-bashers abroad and at the moment Kathmandhu seems more interested in exploiting this than in spelling out its proposals for a new trade and transit treaty. Clearly, this is a psychological gambit designed to place India on the defensive.

If the term "big brother" is intended to imply that India has been acting consistently with the status and responsibilities as the major power in the region, it is a description of its standing for which no apology is needed. Yet, over the years, New Delhi has been a victim of its own ambivalence. On the one side, in the interests of appeasement, it has cultivated the "equality" myth. On the other, it has had to accept the reality of the responsibilities of unavoidably being a "big brother".

To all provocations by Nepal, India has reacted with patience and "flexibility" that have steadily eroded its credibility as a "big brother"



The Nepali repudiation of the "special relationship" with India is a part of this fallout of harm. New Delhi has invited this on itself not by acting like a big brother but by failing to do so as fully and boldly as it should have done. Its neighbours had only to utter the words "sovereignty" and "equality" for New Delhi to recoil with an instant apology on its lips, fearful of the bad press it might get abroad and leaning over backwards to avoid any suggestion of behaving like a "bully". The polite name for this is "flexibility" but it is an extravagance of this flexibility that has enabled Nepal to work itself up into rejecting the entire concept of a special relationship. In the name of this flexibility, Nepal was able to pressure India into removing Indian telegraphists on the Tibetian border, withdrawing the Indian military mission, and taking a tolerant view of Nepal's imports of arms from third countries.

When the 1987 tariffs deprived Indian goods of the preferential status they had under the 1950 treaty, Kathmandhu promised to restore it but failed to do so. Instead, it pointedly chose to grant the Chinese a generous exemption on duties. While Nepali citizens are free to accept employment in India, Indian citizens in Nepal have been asked to apply for permits on the plea that the information is required for a census. New Delhi has — not unreasonably — interpreted this as opening the way for pressure against both Indian citizens and Nepali citizens of Indian origin. When Nepal bought anti-aircraft guns from China this was blithely dismissed by Kathmandhu as something done "on the spur of the moment" in response to "terrorism".

Plainly this is not a matter of trade and transit alone but of challenging the entire rationale of the "gamut of relationships" between the two countries. The object is, as Nepal's foreign minister has explained, to place India on an equal footing with all other trading partners and, in other ways, to remove "special" from "special relationship". Yet, this relationship is in great part a reflection of geographical, economic, political, cultural and traditional factors that cannot be wished away. Collectively they add up to a reality with which both countries must come to terms.

The fact of being landlocked is something that generates its own inconveniences which it is in the interests of both parties to try and modify in a spirit of mutual accommodation. The transit rights, as governed by international convention, are quite unequal to Nepal's needs, which is why they were more generously defined under the 1950 treaty; and at the level of tariffs there has been a similar recognition of trading links that are built into a situation which is unalterable. The pressures released by the lapse of the 1950 treaty are not of New Delhi's making but a direct outcome of a situation that is no longer "contained" in the terms and spirit of the 1950 treaty.

Kathmandhu remains quite unclear about what it has in mind to replace the 1950 treaty. None of its statements has been entirely consistent. Nor can it be said that its series of deliberate provocations has shown any subtlety. Even more surprisingly, there is little to suggest that Nepal was prepared for the consequences of allowing the treaty to lapse; and the stridency of its complaints against India is an index to its failure to anticipate them.

AN ISSUE

It is possible that the treaty has become an issue in Nepal's domestic politics; and the motivation behind its repudiation lies not so much in any dissatisfaction with its terms as in a positive desire for a "special relationship" with China. Yet, here again there is little to suggest that (other than the foreign minister, whose pro-Chinese credentials are well-known), there is any special bias in Beijing's favour.

What emerges from this is that opinion in Nepal has not crystallised at all levels on whether it is possible to repudiate or ignore a special relationship that has been shaped not by choice but by unalterable circumstances. Time and patience will no doubt enable more realistic second thoughts to take root in Kathmandhu but meanwhile it would surely help if New Delhi, on its part, plays the role of big brother without either apologising for this or ignoring Nepal's legitimate rights as an independent, though unequal, neighbour in the subcontinent.

■ *N.J. Nanporia*

The author is a former editor of The Statesman *and* The Times of India.

WHY & HOW OF COUNTERTRADE

Countertrade is not a new phenomenon on the world scene. But what's new is the exploding volume of such trade and the growing number of countries that are into it. Recent estimates made by the General Agreement on Tariffs & Trade (Gatt) and *The Economist* place countertrade at 10%-15% of world merchandise trade; the Organization of Economic Cooperation and Development (OECD) and the European Economic Community peg countertrade's share of total east-west trade at 15%.

The countertrade phenomenon will not subside — at least not through most of the nineties. Slow and uneven recovery in commodity prices, fluctuating oil prices, relatively stiff real interest rates, stagnant commercial finance and aid, and continued population growth and urbanisation all tend to militate against a rapid global economic expansion in the late eighties and early nineties, thus increasing the pressure for countertrade. As long as the fear exists that one or more countries may default on their international debt obligations, countertrade will continue to be seen as a viable option.

MARKETING TOOL

Countertrade can be used as a serviceable marketing tool to outperform the competition. It is also increasingly reaching the realm of corporate finance and treasury officials. Banks with shaky loans in LDCs and manufacturing companies with huge sums of local currency blocked in various parts of the world are beginning to look at the trading function and countertrade as possible tools to solve their financial problems.

Many LDCs are now turning to countertrade in response to conditions that almost run parallel to those of the east European countries in the past two decades: growing debt and interest amortisation burdens, falling commodity prices, rising protectionism, declining exports and deteriorating domestic economic performance.

The spread of countertrade practices and pressures throughout the third world — particularly government-mandated countertrade requirements in countries such as Indonesia, Malaysia, Columbia, Uruguay or Ecuador — has evoked negative reactions from the multilateral trade and financing institutions, particularly Gatt, the IMF and the World Bank.

Most western governments' stated policies object to the spread of government-mandated countertrade. In practice, however, many of them have helped their own companies by extending services such as export credits and guarantees or creating joint government/private sector countertrade pools. In some cases they have actually promoted or directly sponsored government-to-government countertrade deals. Until its termination in 1973, the Commodities Credit Corp. programme in the US was perhaps the single largest barter facility in the annals of countertrade (reaching a volume of $6.7 billion in its 23-year history). The US government brokered a number of deals for exchanging commodities for Jamaican bauxite, ostensibly for national security and foreign policy reasons.

Countertrade encompasses all foreign trade transactions in which an exporter commits himself to take products from an importer (or the importer's country) in full or partial payment. In some countertrade transactions, there are no payments at all. There are four basic types of countertrade deals: barter; compensation (or compensatory deals); counterpurchase (also called counterdelivery parallel trade, or reciprocal trade) and industrial compensation; and product buyback/offset or advance purchases.

These traditional forms of deals have dominated the countertrade experience over the past decade and a half, particularly between the east and west. As the practice spreads to more and more third world countries — most of which are characterised by either a dominant private sector or a mixed economy — these old forms are taking new turns to suit different environments.

ADVANCE PURCHASE

The long established practice of counterpurchase is taking a new life in the LDCs because this allows firms to accept countertrade goods in advance (a technique known as advance purchase). The LDC partners in such deals often tend to be private firms (although there may also be government or a quasi-government enterprises) with something to sell.

There have been more recent attempts to develop a more efficient mechanism to handle commercial countertrade and to overcome one of the most fundamental obstacles to its functioning — the forced bilateralism between buyer and seller — which often forces companies to deal with unfamiliar goods and services. A concept launched in the mid-eighties by General Foods Trading Co. and the First National Bank of Boston involves the creation of an International Trading Certificate — a transferable document generated by the Central Bank of the issuing country. The mechanism could go a long way towards multilateralising countertrade obligations. Such companies are likely to come up in Miami, London and Singapore from present indications.



For countertrade to be an effective instrument of trade promotion, clear government policy guidelines as well as a flexible implementing authority are of primary importance

The demand for offset agreements comes largely from the industrialised countries themselves. Offset agreements are not limited to buying or even exporting local products. More often than not, they increasingly take an investment approach. The US Aerospace Industry Association surveyed 143 contracts concluded from 1975 to 1981-82 in over 26 countries. Of these 130 (92%) had compensation or offset requirements. These involved 113 contracts valued at $15 billion, of which $9.5 billion (61%) involved offset commitments. Lately, these have significantly increased.

Switch transactions involve a third party making use of a trade imbalance between partners with bilateral trade clearing and payments agreements (usually between LDCs and eastern Europe). It is no longer quite possible to switch trade imbalances between west and east European countries. There are still about 130 clearing (bilateral payment) agreements in existence between non-market economies and developing countries, seven between OECD and centrally planned countries and another four between OECD and developing countries.

Current global switch trade is estimated at around $4-5 billion per year, and the trend is rising. Latin American countries alone account for two-thirds of this volume. The major partners in switch transactions are Brazil, Columbia, Ecuador, Bangladesh, India, Pakistan and Syria among developing countries, and Czechoslovakia, East Germany and Hungary among the centrally planned economies. Brazil has the largest number of clearing agreements with eastern Europe. It has been offering western firms substantial trade surpluses in eastern Europe at substantial discounts.

Countertrade can be used as a serviceable marketing tool to outperform the competition. Banks with shaky loans in less developed countries and manufacturing companies with huge sums of blocked local currency are beginning to look at countertrade to solve their financial problems

Just as clearing agreements between LDCs and east European countries offer a significant opportunity for MNCs to make use of switch deals, so also do trade and co-production agreements. These agreements are intended to serve as frameworks within which individual companies may negotiate specific commercial deals with foreign trade organisations or productive enterprises. Bilateral cooperation pacts commit the signatories to encourage cooperation in a specific number of industrial, agricultural and commercial sectors.

Among corporate sector outfits (non-trading houses) that have taken on countertrade, 12% limited themselves to products they could use in-house and another 22% preferred to take only related products for resale. The rest took both related and unrelated products for resale. A major consideration is to obtain greater control over the international marketing setups of often semi-autonomous product or regional divisions. A corporate-wise countertrade policy has the additional benefit of improving intercorporate communication and cohesion.

There are several ways in which organisations can indulge in or facilitate countertrade operations.

- Set up an international coordinating department or a corporate staff office attached to sales and purchasing operations;
- Appoint a consultant for countertrade to regularly advise all departments faced with countertrade obligations;
- Set up a countertrade unit, including product, function and country specialists;
- Set up an autonomous trading house, in which the company could own a share and through which it can dispose of countertrade obligations;
- Act as an independent trading subsidiary or trading house (set up by the company), to coordinate countertrade goods that cannot be used internally and to trade on its own account.

In order to estimate the costs of countertrade, a mandatory separate quotation of countertrade costs may be resorted to in government tenders. While exporters' willingness to indulge in countertrade has been a most effective tool for market penetration, it does not disguise the fact that sometimes there is a built-in subsidy element in it, which leads to price distortions. Such countertrade can, thus, be only short-term in nature. Developing countries like India, with foreign exchange problems, often use their buying power for the promotion of exports through countertrade. In many cases, countertrade is also resorted to in order to overcome the restrictions placed on exports as a result of international price support and quota arrangements.

In giving consideration to countertrade proposals, the question of additionality of exports has to be given due weightage. Otherwise, products that would have been exported anyway end up as exports under countertrade. For countertrade to be an effective instrument of trade promotion, clear government policy guidelines as well as a flexible implementing authority are of primary importance. The scope of countertrade should be extended to include offset operations in defence and aerospace procurement. Countertrade can also be used as an effective trading mechanism to promote south-south trade.

India's apex trading giants, the State Trading Corporation and the Minerals & Metal Trading Corporation have entered into a number of countertrade deals against bulk purchases of fertilisers, palm oil, non-ferrous metals, newsprint and basic chemicals, but there has been a very modest evidence of additionality in exports. In many cases, exporters abroad have even loaded their prices to make up for any loss on countertrade obligations. India's trading organisations must thus improve their negotiating skills and possibly seek ways to involve the private sector trading houses in countertrade deals.

■ *P.N. Agarwala*

The author is a consultant to the World Bank.

MAHARASHTRA

A PRIVATE PATHWAY

Maharashtra chief minister Sharad Pawar will not be getting his casino after all. But the rest of his plans to throw open the infrastructure sector to private industry seem to be getting along apace. Currently, he claims to have got Rajiv Gandhi's okay for the road privatisation plan and the other roadblocks should be cleared soon.

The May Day announcement unveiling the new policy was not really a surprise. Pawar has been giving such signals ever since he took over as chief minister. Besides, the critical state of Maharashtra's finances and the urgent need to invest more in infrastructure left little option.

Under Pawar's plan the private sector will be allowed a stake in various utilities including thermal power stations, bridges, highways, roads, water transport services, development of ports, parking lots and convention complexes. That's quite a plateful but industry has not been particularly keen to bite.

With reason. First, the policy still leaves a lot of questions unanswered. Second, and more important, is the 14% ceiling imposed on the return on investment. For a corporate sector used to a return of 15%-20%, getting into infrastructure practically amounts to doing charity.

Unattractive returns. "The rate of return is not attractive for private sector participation," says S.P. Manaktala, managing director of Tata Electric Companies. Seconds T.N. Subba Rao, managing director of Gammon India: "14% is not adequate. The rates should be equal to those offered in lease financing."

On top of this is the clause saying that the utilities must be handed back to the government after recovery of project costs. Says Ram Tarneja, past president of the Indian Merchants' Chamber: "Management must be in perpetuity."

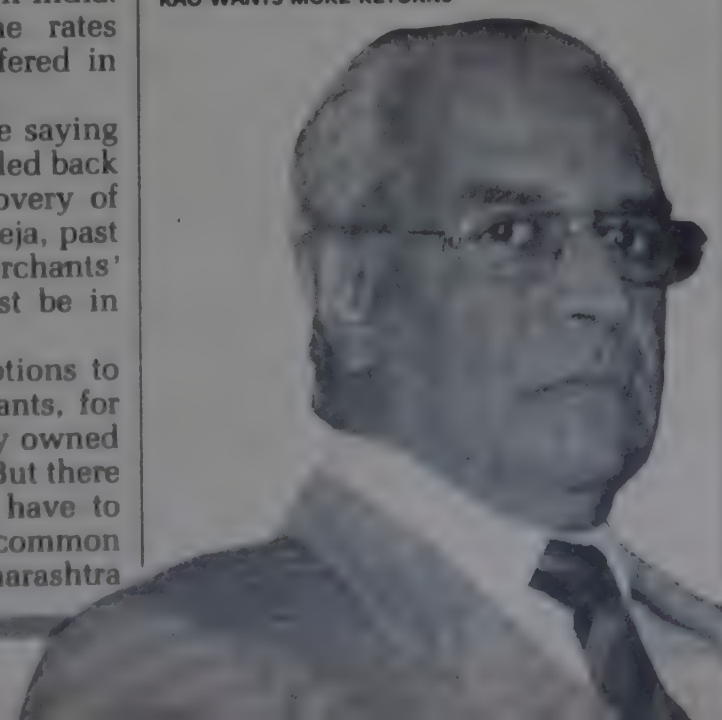
There are, however, exceptions to the rule. Thermal power plants, for example, can be permanently owned by the private entrepreneur. But there is a catch. The plants will have to supply electricity to the common statewide grid of the Maharashtra State Electricity Board as per the tariff fixed under the Indian Electricity Act. Argues Manaktala: "Keeping in mind the poor payment track record of the state electricity boards, how can we be sure that we will receive regular payments?" It is essential, he adds, to allow the plants to sell part of their generation directly to consumers.

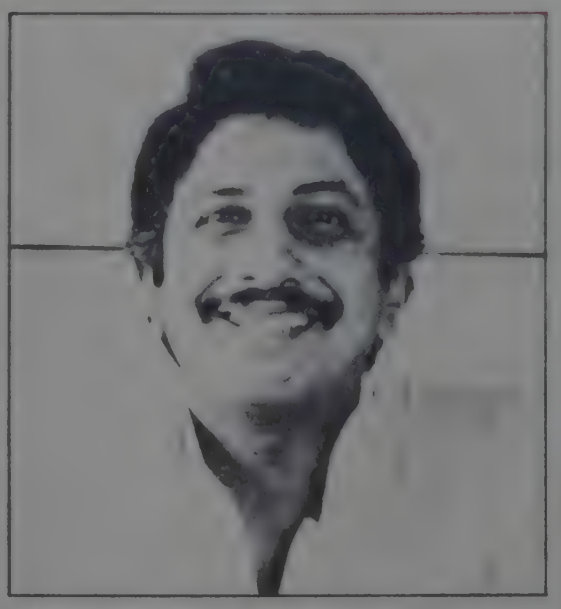
But the biggest roadblock is something else: the three-member tariff commission which is to be appointed soon. The commission will be the final arbiter for fixing service charges, cess, advertisement rights and the road taxes to be levied by the private promoter during the maintenance period. In other words, the promoter will have to hop whenever the government says so. That's hardly appetising to people who are accustomed to calling the shots.

The government seems to have realised that the package is not tantalising enough to seduce private enterprise. Not surprisingly, the bureaucrats and the ministers concerned have gone into a huddle to reconsider some of the clauses. "The 14% return is not final. The Centre has to give clearance. Every proposal is under scrutiny at various committee and sub-committee levels," says Sudhakar Naik, Maharashtra minister for energy and social welfare.

Low-key response. Understandably, response has been low key excepting in the power sector where perpetual ownership has been permitted. Ten

RAO WANTS MORE RETURNS





GULABCHAND THINKS IT A GOOD STEP

proposals have been submitted so far, of which six have come in from non-resident Indians (NRIs) and four from local industrialists. The local contenders include Reliance Industries (800 Mw gas-based thermal plant) and Ballarpur Industries (500 Mw thermal plant). Among the NRI firms which have put their hat in the ring are Nippon Denro Ispat Ltd., G.P. Hinduja, Anslip (UK) Ltd., and Globetrotters Engineering Corporation of Chicago.

The old-timers too want part of the new deal. Thus Tata Electric Companies have sent in four proposals to the state government. "They are still in the pipeline," says Manaktala. The list of entrants is sure to swell if the returns are reworked.

Power, though vital, is not as high profile as roads and highways. And this is where there is likely to be a scramble for projects. Among those identified are the Bombay-Pune eight-lane autobahn (cost: Rs 2,200 crores), the Bombay-Nasik six-lane freeway (Rs 1,800 crores) and several road networks from Bombay to Konkan. The sops are: rights to build cafeterias and fast food joints and set up advertisement spaces and recreation spots. The bidders for these projects are not known yet. However, the grapevine has it that Hindustan Construction and Reliance are jointly bidding for the Bombay-Uran mainland link.

Funds question. All this needs a lot of moolah and the question is: where is

it going to come from? Will the financial institutions pitch in in a big way? The private concerns cannot be expected to bear the onus by themselves. "The private sector can deliver the goods only if there is fund availability," says Subba Rao. "The NRI participation with local contractors will facilitate inflow of funds." But public issues and NRI money notwithstanding, the private sector will need the support of the financial institutions. To date, nothing is clear on this front.

The power and roadway projects should find the finance. The same is not true on the water front where little is moving. Coastal ferry services look a non-starter if the stringent ship certification and survey conditions are anything to go by. This apart, operators have to contribute 20% of the foreign exchange needed for acquiring new vessels from their own resources. That, feel many, is a bit too much. Moreover, the private sector operators are also expected to erect jetties and other landing installations at their own cost. The result: nobody wants to touch this area with a barge pole.

In other areas too there is very little activity. But it is early days yet. Now that the ball has been set rolling, many can be expected to join the game. As Ajit Gulabchand, managing director of Hindustan Construction Co. Ltd. puts it: "It is a good first step forward."

■ *Srinivas Vijay*

TAMIL NADU

POWERLESS TO PLAN

It has been a long haul for Tamil Nadu on the power front this summer. And, from the looks of things, the situation can only become worse. The latest blow was on 24 April when high tension (HT) users were subject to yet another cut — a full 20% raising the total to 60%. Industry in the state raised its hands in surrender.

But it was all rather inevitable. Right from the first week of January a beleaguered electricity board has been trying to keep its head above the waters. Affairs worsened recently when one of the three central power units supplying Tamil Nadu went on the blink. Moreover, the other two are also just staggering along.

It was industry which had to bear the brunt of these shortages with savage cuts on power use. All industrial units using more than 75 HP and all new units presently exempted from power cuts from three to five years face a 60% cut, though for a limited period. So sweeping were the cuts that even low tension users with connecting loads exceeding 75 HP have not been exempt either. This naturally evoked a sharp response from industry and prompted N. Kumar, chairman of the Tamil Nadu chapter of the Confederation of Engineering Industry (CEI), to remark that this cut on new industries "would send wrong signals to entrepreneurs who



LAKSHMAN FEELS THE OUTLOOK IS GRIM

are looking at fresh investments in the state."

Many casualties. More than 2,000 HT users in the state's industrial belts were hit by the cut, the worst effected being process industries like chemicals, cement and fertilisers. Comments S. Lakshman, a past chairman of the Tamil Nadu chapter of the CEI: "The medium and large will somehow manage, it's the small units who will suffer. It would have been practical to restrict it to HT units."

The electricity board has no doubt been doing its best to come to grips with a situation which is fast getting out of hand. The normal power need of the state is around 3,000 Mw which is met from 21 hydel stations, three major state thermal stations at Ennore, Tuticorin and Mettur and its share from the Centre's generating stations at Neyveli, Kalpakkam (both in Tamil Nadu) and Ramagundam in Andhra Pradesh. While the state's own thermal stations have been in fairly good nick, it is the central units which have thrown a spanner in the works.

For Madras Atomic Power Station (Maps), for instance, it has been nothing but a litany of woes. Tamil Nadu's allotted share from Maps is 75% of its installed capacity of 470 Mw but both the Maps units have come to a grinding halt due to "reactor problems," short changing the state of 360 Mw. In fact, Maps could generate barely 74 million units (mu) from February to April this year compared to 354 mu in the corresponding period last year.

National Thermal Power Corporation's Ramagundam unit, with an installed capacity of 1,600 Mw, was expected to maintain a generation level of 1,100 Mw, of which Tamil Nadu's share is 359 Mw. But low coal stocks caused by a miners' strike at Singareni coalfields has thrown this unit out of gear too. The Neyveli thermal station has been plagued by strikes in the past couple of months and the state has been getting barely 510 Mw from its total allocation of 900 Mw.

Some rethinking. The power crisis has provoked some rethinking in Tamil Nadu industry. "The short-term outlook is certainly grim while the long-term seems to be okay," says Lakshman. "But the government will have to be pragmatic on what industries should come up, they should preferably be less power-intensive and more employment generating."

Concurs M.K. Raju, a management consultant who specialises in energy audits: "Fresh investments should be curbed in the state till power is ensured to industry. It would be criminal to allow new units to come up when they're starved of power."

The electricity board has been adding salt to the sores. Mounting costs of inputs forced the board to hike tariffs two months ago. In the small sector the impact of the power cut may not be felt as there are only a few units with a HT load, but the hike

urts. As a small-scale industrialist who operates in the Ambattur industrial estate on the outskirts of Madras ays: "The tariff hike pinches. We are harged more for low quality power nd we can't pass on these hikes as ur costing factor is important." The mall units face another problem. Many of them supply larger units ow crippled by the power cuts. Thus, their orders are likely to deline to a trickle.

Things may, however, improve by une. An early monsoon should help aise hydel output. Besides, the Kalakkam units, which were contributng nearly 15% of the total generation n the summer months in earlier ears, should be back in action by abut that time. The board also expects o bring back into operation by the nd of this month another 110 Mw nit at Ennore which was ravaged by fire last year. The board also hopes o hike capacity at its Mettur thermal roject where a third 210 Mw unit is o go on stream in June and a fourth n December.

Rosier future. For the long-term, hings however, seem rosier. Tuticorn, which is another major thermal tation, will have two 210 Mw units by 1991, and should alleviate the shortages the state will have to contend with in the years to come. According to a former senior official of the board this shortage could go up to as high as 11% five years from now, a fact also borne out by the 13th power survey report.

But what's really good news for industry, as Lakshman describes it, is that work will soon begin on the first phase of the 630 Mw north Madras thermal project. This Rs 721 crore project (costs have escalated from Rs 547 crores when the plan was approved two years ago) was wrapped up in litigation as the VGP group planned to build an entertainment complex there. But with the group withdrawing, prospects for this project have brightened. Work is expected to begin early next month with Asian Development Bank assistance of Rs 225 crores. But that's in the distant future as the station will come into being only four or five years from now. For today and some more time to come the state will have to sweat it out.

■ *Vinay Kamath*

KARNATAKA

MISSING THE BUS

Bus-body builders in the private sector in Karnataka are a disgruntled lot these days. The reason: the Karnataka State Road Transport Corporation (KSRTC), their major customer, has taken to fabricating bus bodies in its own workshops in Bangalore and Hubli. Besides, orders for coaches which should have gone to the private sector are being routed to a sick state sector farm implement making company, Kimco, apparently in an effort to revive it.

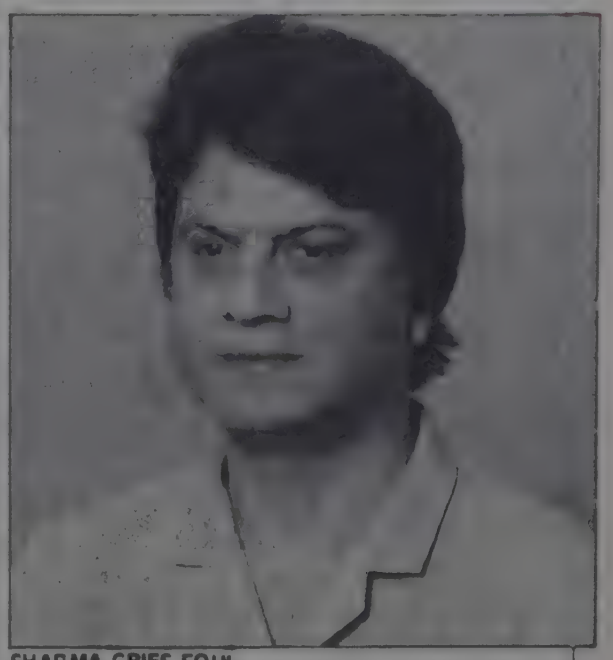
With business dwindling, 10 out of the 16 coach-building units in the state have reportedly closed down. Others are contemplating moving to Andhra Pradesh where the state transport corporation's attitude to private coach builders is said to be more benign.

The situation in Karnataka turned grim — from the private sector's point of view — from 1987. The KSRTC overnight stopped supply of chassis even on contracted orders for which stipulated bank guarantees had been furnished by the private coach builders. "We were caught unawares," says Ashok Sharma, executive director of Azad Coach Builders Pvt. Ltd., Karnataka's leading bus-body building company.

Petty politicking. Sharma contends that the decision to stop placing orders (for district buses) on private coach builders was the outcome of "petty politicking" among the KSRTC top brass. Repeated petitioning of the state government and the KSRTC to consider the plight of private bus-body builders has so far proved fruitless, though promises aplenty have been made.

KSRTC, however, continues to bank on private coach builders for bodies for its luxury buses. But this is at best poor consolation as the requirements are for just 20 buses or so in a year whereas Azad can alone build 40 coaches a month, working at full capacity.

With orders from KSRTC dropping from Rs 3.20 crores in 1986-87 to a measly Rs 50 lakhs in 1988-89, Azad's turnover has taken a beating: down from Rs 4.8 crores in 1986-87 to Rs 2 crores in 1988-89. Fortunately,



SHARMA CRIES FOUL

Azad was able to salvage the situation somewhat, according to Sharma, through exports.

Innovative company. Interestingly, Azad is the only coach-builder in Karnataka to export buses. An innovative company operating in Karnataka for the past 10 years (its sister concerns are in Delhi and Jaipur), Azad was the first to locally introduce (to the KSRTC and AP Road Transport Corporation) all-aluminium bus bodies; and deluxe coaches for long-distance runs with special features. Four of these buses have been sold to the KSRTC.

Sharma says his company is now planning to introduce a sound-proof camper bus (built on a Tata 407 chassis) equipped with beds, kitchenette, bar, TV, video, and a shower. He is also negotiating with Meltron for the supply of OB (outdoor broadcasting) vans meant for use by All India Radio. The chassis will be from Allwyn Nissan.

But this is not enough for healthy survival. The future of Azad Coach Builders and other bus-body building units in Karnataka depends on orders from KSRTC, asserts Sharma. If the present crisis continues, the company will be forced to retrench its 350-strong workforce, he says. Azad and its ilk are definitely in danger of missing the bus to prosperity.

■ *N. Raghavan*

PLASTICS

A WAITING GOLDMINE

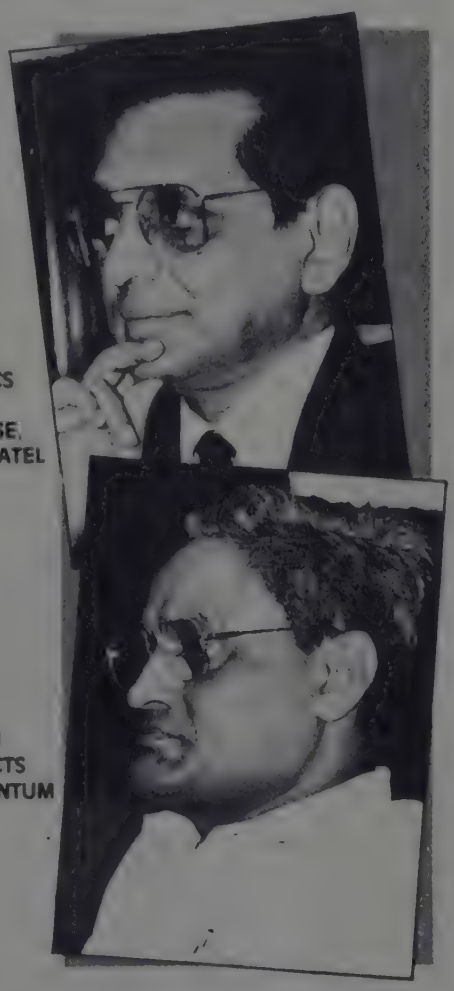
Thanks to the great petrochemicals rush, boom time seems to be nigh for the indigenous plastics industry. Indian Plastics Federation president M.L. Lahoti foresees a high growth market firming up during the nineties: the next 10 years ought to fetch growth at an annual compounded rate of 10%-15%. He predicts a leap in India's plastic processing capacity from 1.5 to 4.5 million tonnes (mt), even as the consumption of plastics ups from 0.7 mt to 3 mt and per capita usage quadruples to 3 kg per head per annum.

But will the country be able to meet these needs by the turn of the century, or even come close? Lahoti and his industry peers think not. The solution: invite overseas investment in this sunrise sector. To this end, the Bombay-headquartered Plastindia Foundation — a representative body of major plastics trading and manufacturing organisations — is planning an ambitious do at Pragati Maidan, New Delhi next March.

"The next decade holds promise for an investment potential of $17 billion in the primary petrochemicals sector in India, of which a substantial percentage is to be earmarked for the growth of the plastics industry," points out Plastindia Foundation's vice-president Raman Patel.

Meeting point. Christened Plastindia '90, the weeklong exhibition-cum-conference aims to bring together technocrats, designers and manufacturers from various disciplines related to plastics. "Processors, machinery manufacturers, raw material suppliers, and users and trade promotional bodies are expected to make a beeline for this event. In particular, international participants will have the advantage of meeting potential Indian partners," says Patel.

By way of a sales pitch, he adds that the uses of plastics in India today are as diverse as the range is wide. These uses span both the thermoset (phenolics, unsaturated polyesters, epoxy, etc.) and thermoplastic (LDPE, LLDPE, HDPE, PP, PVC, etc.) varieties. These apart, there is an increasing demand for a large variety of engineering plastics such as polyamides, polycarbonate, polyesters and speciality polymers. "Plastics have undoubtedly replaced conventional materials like metals, wood and paper in agriculture, industry and the household sector," maintains Patel. And by all accounts, the trend is irreversible.



PLASTICS HOLD PROMISE, SAYS PATEL

LAHOTI PREDICTS A QUANTUM LEAP

As is inevitable in a developing economy where resources are scarce, there is an all round gap between demand and supply. For instance, at today's level the demand for major commodity thermoplastics like HDPE, LDPE, LLDPE, PVC and so on stands at an estimated 755,000 tonnes. The availability is less than half — a meagre 327,000 tonnes. This leaves a whopping 428,000 tonne gap — not a small one by any standards.

Capacities available. Another significant business opportunity is the existence of certain pockets where processing capacity is available for export production. A typical example is the woven sacks industry with an installed capacity of 100,000 tonnes (the largest outside China) of which 60,000 tonnes can be spared for exports. Potential opportunity value: a neat $72 million. Patel says that besides woven sacks, other products with good export prospects are films, moulded products and specialised items like sprinkler systems and medicare items.

Finally, it is apposite to note that as a natural fallout of the plastics boom, one can legitimately expect the related sectors of auxiliary equipment, instrumentation, quality control and testing equipment to gear themselves to blossoming forth appropriately. Even as the mother industry moves from embryo to chrysalis to butterfly, these associated sectors will also concomitantly spread their wings. Not surprisingly Plastindia projections indicate that the sectoral employment generated will more than double from 700,000 to 1.5 million within a decade.

In order to induce the kind of expansion one is looking for, the Union government has liberalised its industrial policy by allowing import of selected raw materials and processing equipment under open general licence and has brought down import duty rates. It has also nominated Indian Petrochemicals Corporation Ltd. (IPCL) as the nodal agency for canalising these imports. IPCL will help manufacturers and exporters by supplying polymer raw material from the material bank that it proposes to set up.

Come March, and the prospects of today and the hopes of tomorrow will be given concrete shape at Plastindia '90. Bookings for pavilion space have already begun, with Nowea International, Dusseldorf, acting as market promotion agents in Europe. "We have set about the organisational tasks with a high level of confidence," says Patel, adding that the confidence stems from the certainty that plastics will join automobiles, construction, telecommunications, electronics, consumer durables and exports as the high growth sectors in the Indian economy. And by no means can his optimism be said to be misplaced.

■ *Ashoke Laha*

The investors' guide to Indian Maize & Chemicals Ltd.



The Promoters

Indian Maize & Chemicals Ltd. (IMCL) has been promoted by Ferro Alloys Corporation Ltd. (FACOR) – India's largest producer and exporter of ferro alloys. A company that has many firsts to its credit. Such as India's first plant to manufacture Ferro Manganese and Ferro Chrome. And also the first 100% Export-Oriented Charge Chrome plant. FACOR's balance sheet amply reflects its success. Annual turnover has shot up from a bare Rs.36 crores in 1980 to over Rs.200 crores now, while profit before depreciation has risen to Rs.15.55 crores (1988). Reserves stand at Rs.19.71 crores on an equity of Rs.5.52 crores (June '88).

PICUP, the co-promoter of IMCL, the largest state-level development financial institution in the country. At present, PICUP has 36 joint sector projects on hand, with an investment outlay of over Rs.3000 crores.

India Investment Fund, managed by the Grindlays Bank p.l.c., is also investing in IMCL to the tune of Rs.86.60 lakhs.

The Potential

IMCL will be the most versatile integrated project in the country for manufacturing corn derivatives. And also the first to employ international technology in the field – from STARCOSA GmbH, West Germany.

Corn derivatives find wide-ranging uses, primarily in the booming pharmaceutical and food processing industries. In the food processing industry alone, recent focus of the government's attention has stimulated a potential Rs.4,500 crore market. A market in which corn derivatives will play an integral part. The applications in the pharmaceutical industry are also wide and varied. And, of course, the traditional use of corn derivatives in textiles, paper, alcohol and other industries is growing fast too.

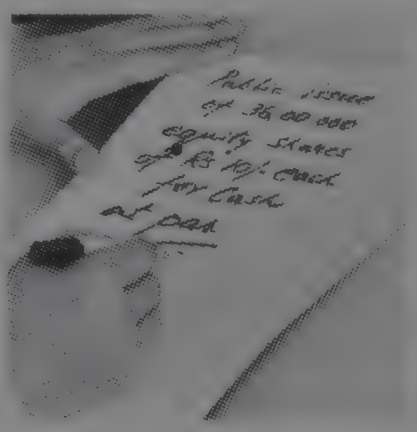
A novel feature of the IMCL project is the significant recovery of by-products amounting to about 30% of the inputs. The by-products include corn oil and cattle/poultry feed, to name a few.



The Profitability

As a raw-material, corn costs very little. Especially when the plant is situated in the heart of India's corn belt – Bulandshahr – as IMCL is. The value added to corn as it moves from the fields to the processing plant to the end-users is nothing short of phenomenal – as high as 2000%!

Naturally, IMCL is in an enviable position, because it will not only manufacture the full range of corn derivatives, but will also be the first versatile corn-derivative project in North India, enjoying close proximity to its major users.



The Public Issue

Altogether, IMCL is an opportunity you can't afford to miss. The issue will be listed at all major stock exchanges: Ahmedabad, Bombay, Calcutta, Delhi and Kanpur, and also offers 80 CC benefits.

Managers To The Issue

The Industrial Credit and Investment Corporation of India Limited, Merchant Banking Division, New Delhi.
Grindlays Bank
ANZ
PNB CAPITAL SERVICES LIMITED, New Delhi
SBI Capital Markets Limited
SBI CAPITAL MARKETS LTD., New Delhi

IMC

INDIAN MAIZE & CHEMICALS LTD.

Regd. Office : 5.6 Km. Stone Bulandshahr - Anoopshahr Road, Bulandshahr (U.P.)

Head Office : 75, Amrit Nagar, Behind NDSE – I, New Delhi – 110 003.

In the pioneering tradition of FACOR

Vindra:D:IMCC:7152

ISSUE OPENS ON MAY 31, 1989.

ROOTING FOR CONSUMERS



CHAVAN WANTS PRICE CUTS

More attention will now be given to arbitrary price increases. The Union finance minister S.B. Chavan has announced that a monitoring group will be formed to identify areas where prices can be reduced as a result of duty relief or concessions.

This action was in response to the complaints that although industry enjoyed duty reliefs they did not pass the benefit on to the customers.

COMBATING THE DEFICIT

With all efforts to reduce imports proving futile, the government has finally realised that the only way to narrow the widening trade deficit is to boost exports. It has identified several areas where exports can be enhanced considerably. Besides, traditional export items, encouraging results have been achieved in pushing the export of gems and jewellery, leather goods, engineering items and, to some extent, consultancy exports.

With the rising trend in consultancy exports over the last few years, the commerce ministry together with the department of science and technology is looking at the possibility of setting up a consultancy reserve fund. This was recommended by the technology policy implementation committee. The consultancy sector is also to be allowed an income tax exemption of 50% on exports.

Besides, the government has asked all public sector undertakings to pull up their socks. For example, it has set an export target of Rs 700 crores in 1989-90 for the State Trading Corporation.

The government is of the view that since 85% of total imports are items such as petroleum products, non-ferrous metals and essential machinery for technology upgradation, the chances for cutting imports are slim.

FORTRESS INDIA?

India's so-called "unfair trade practices" have aroused the ire of the US. In a report published by the US trade representative Carla Hills, India has been named as one of the "worst offenders" in putting up barriers to US exports. India is in the august company of Japan, South Korea, Brazil, Canada and the European Community.

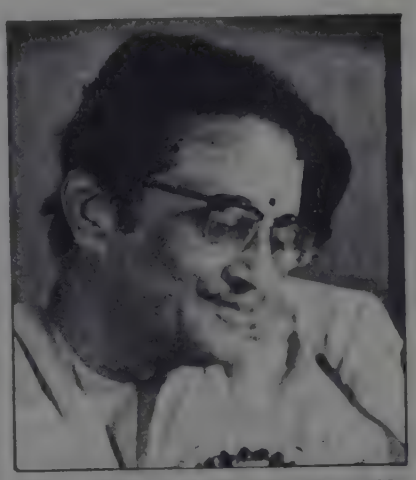
The report says that the Indian government's policies and practices severely restrict potential US investment and impose stringent conditions on companies that do invest in India.

To pressurise India to modify its stand on intellectual property rights, it is likely that the US will use the 'Super 301' clause of the US Omnibus Trade Act.

India may have to lift these alleged trade barriers before 1994 to avoid being blacklisted. It should be noted, however, that this demand for further liberalisation has been made at a time when India's balance of payments position is grim.

INDIRECT TAX COLLECTIONS UP

It's been a good year for the government as far as indirect tax collections are concerned. The customs and Central excise deparment collected a cool Rs 34,323 crores during 1988-89. This was Rs 607 crores more than the sanctioned budget estimate and Rs 56 crores more than even the revised budget estimate.



PANJA REJECTS SPECIFIC DUTY RATES

While revealing these figures to the consultative committee attached to the ministry of finance, Ajit Panja, minister of state for revenue said that the government had accepted many of the recommendations made by the group on the rationalisation of direct and indirect taxes. However, it could not accept some of the recommendations in toto because of revenue considerations.

The group had wanted the government to impose specific rates of duty over value based rates (*ad valorem*) because of legal irritants involved in the valuation process. It also was not in favour of the number of exemption notifications which were being issued in the course of the year outside the budget.

LEATHER HUNT

Leather exporters are peeved over the commerce ministry's decision to subsidise up to 50% of the extra cost incurred by garment exporters while arranging additional freighters to clear accumulated garments export cargo at the Bombay and Delhi airports.

Leather exporters in a similar fix have not received any such subsidy. As the airlines have refused to accept leather footwear consignments because they are 'low density cargo' and do not make commercial sense, there has been a pile-up.

Despite the grave situation leather exporters face, the government has not taken any steps to resolve their problem, while it is quick to respond to the garment exporters' SOS, says Prakash Mahatani, president, Small Scale Leather Industries Federation.

GARMENT QUOTAS HIKED

The European Economic Community (EEC) has increased India's 1989 garment export quota for two items — blouses and skirts. In the case of blouses, the quota has been hiked by 10 million pieces to 43.7 million and for skirts by 1.3 million pieces to 8.7 million. This is expected to generate an additional Rs 60 crores in foreign exchange.

An EEC team had recently visited India to decide on the compensation to India following the classification (with effect from 1 January 1988) of textile products under which some non-restrained items came under the restrained category. Since India stood to lose, exporters had asked for compensation.

MANAGING INFLATION

The last 15 years have been a corporate executive's nightmare come alive. It began with the oil price hike, took a firm grip with inflation, recession, a fall in global trade and roller-coaster exchange rate fluctuations, and culminated in mass bankruptcies, runaway sovereign debt and a stockmarket collapse which wiped out share values valued at $3 trillion. Rapid and sweeping technological changes have made yesterday's growth industries obsolescent today. At home, a liberalised industrial policy has exposed Indian industry to the gales of competition by breaching the walls of restricted production capacity and import protection behind which it was sheltered snugly for 40 years.

How does an executive manage in such troubled times? How can he ensure that his company survives and grows in such a hostile environment?

Executive perceptions of what constitutes corporate trouble will, of course, vary with the individual and the industry. It may, however, be fair to say that the two biggest migraine-producers and ulcer-causers in executive ranks are inflation and recession.

Inflation is the systematic destruction of corporate and personal wealth caused by falling money values. A principal function of money is to serve as a standard of value; during inflation, it ceases to perform this role efficiently. Thus a company's accounting figures turn into half-truths or falsehoods as sales, inventory, receivables, profits and return on capital are distorted by the weakening value of money. The progress they seem to reflect is an illusion.

Even in service sectors like banking, deposit growth is more a matter of increased money supply homing in than any attraction of tangible wealth or marketing breakthroughs. Besides distorting sales and profits, inflation means a shortage of funds which throttles growth. It means that profits reported and taxed will never be available as reserves for growth or resources for dividend payouts.

Conventional industries like public utilities, and steel, chemicals and heavy machinery producers are particularly affected since inflation requires very high rates of reported income to earn enough surplus to survive. Growth companies also face grave problems since a credit squeeze is inevitably enforced by the central monetary agency to wring excess money out of the economy. Growth industries need substantial credit support to stay alive but they are usually denied this. In sum, the corporate manager does not know how he will tide over the short term or where his company is going in the long term.

A company has to learn to manage during an inflationary spell for one reason — survival. Peter Drucker cites the example of Siemens and AEG, both vast West German companies. Siemens' inflation management methods were adequate and effective; AEG's were not. Today, Siemens remains the world's second largest electrical and telecommunications company; AEG, after several unsuccessful rescue efforts by its bankers, has been merged with Daimler-Benz at the government's behest.

Inflation management calls for two apparently incompatible objectives. First, the reduction of loss exposure (through falling money value) by having the minimum cash and maximum short-term debt. Second, the maintainance of a high degree of liquidity since credit crunches are frequently applied by the government to curb price rises and shrink money supply. The trick is to ensure that the company can roll its debt over as and when necessary. This means recourse to institutional borrowings and assured long term credit sources like debentures and bonds and not to fair-weather funds like call money or short-term inter-corporate loans.



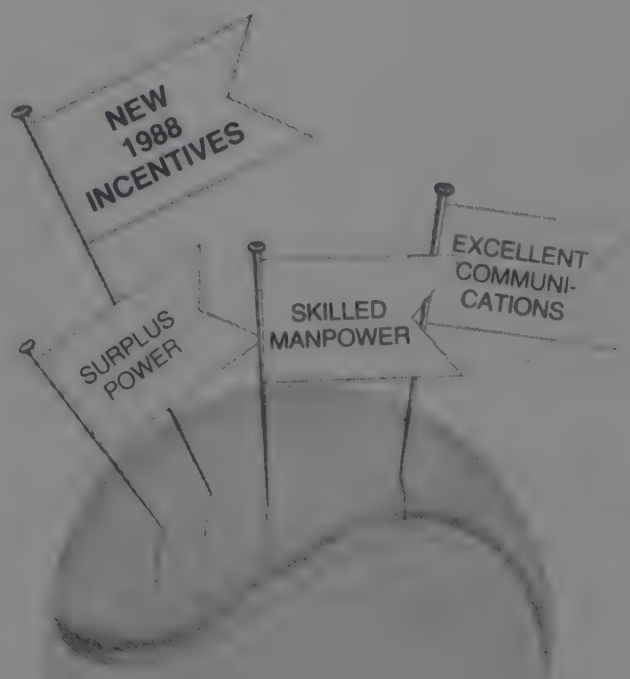
The two biggest migraine-producers in executive ranks are inflation and recession. While managing the former is an exercise in financial acumen, dealing with the latter is a matter of selling dynamism

With the strategic principles established, one can consider the tactical measures that can be employed.

- One should avail oneself of short and medium-term debt to the extent the company's leverage allows. Repayment is always less in *real* terms, since the loans are amortised in depreciated currency.
- Use the deferred debt to acquire capital assets; real estate does not depreciate at all in real terms and machinery depreciates slower than money in inflationary times.
- Keep receivables and book debts low, offering discounts to speed up realisation.
- Keep input inventories high — they will be worth more every passing day. Of course, if inflation ceases, an inventory loss will occur. The point is that inflation cannot be curbed overnight under modern economic conditions — governments always try for a 'soft landing' to reduce sudden surges in unemployment or a slide to recession. When signs of inflationary arrest are perceptible, inventory can be reduced to normal levels.
- Use cash surpluses to fund expansion or acquisition of capital assets, since idle cash depreciates day by day.
- Build systems for exchange-risk protection through forward cover for imports — this will reduce local currency outflow in actual and real terms.
- Obtain credit terms for imported inputs; this means that the sale proceeds can be used as cash flow till repayment

NEW INCENTIVES | SURPLUS POWER | SKILLED MANPOWER | EXCELLENT COMMUNICATIONS

◆THAT'S ADVANTAGE MAHARASHTRA◆



WHEN YOU THINK OF INDUSTRIES

Set up your industry in Maharashtra. And avail of the new 1988 package of incentives. Super incentives you would have hardly imagined any State would give.

Extraordinary features:

Substantial increase in Sales Tax incentives and Special Capital Incentive. Incentive periods raised upto 10 years. Sales tax exemption/ deferral made available where expansion/diversification is undertaken with minimum Rs. one crore investment. Extra incentives provided for energy saving devices, pollution control measures and for local employment. For power intensive units, there will be refund of electricity duty. Resource-based industries get incentives on par with other industries. You get these incentives practically all over Maharashtra except Bombay/Pune and some nearby areas.

The ingredients for success

Besides, Maharashtra offers your industry everything it needs to thrive. Unrestricted power. Abundant water. A readymade communications network. Infrastructure complete with modern amenities in the Growth Centres. A ready market and most of all, an industrial culture that provides skilled productive labour.

SICOM – to top it all

Whatever the size of your unit – medium or large – you can depend on SICOM for plant location, technical guidance, finance and escort services. Everything you need to get your industry off to a flying start.

For details contact:
The General Manager – Business Development

SICOM

THE STATE INDUSTRIAL AND INVESTMENT CORPORATION OF MAHARASHTRA LIMITED
Nirmal, 1st floor, Nariman Point, Bombay-400 021.
Phone: 2023018, 2021855 Telex: 011-3066
FAX: (022) 2023008

SICOM

falls due at fixed forward rates.

■ Domestic interest rates invariably rise in inflationary periods to reflect the increased demand for funds and to serve as a disincentive imposed by the central bank on borrowing. Reduce borrowing cost by raising offshore debt, i.e. by borrowing short-term for import payments in foreign currencies carrying low interest rates (e.g. deutsche marks and Swiss francs). Forward exchange rate cover and the advantage gained in repaying in depreciated local currency after the credit period will adequately compensate for the appreciation of a strong foreign currency.

■ Establish effective inflation-indexed costing and accounting systems so that selling prices accurately reflect the inflationary impact of rising input costs.

■ Create accounting systems which reflect reality in terms of the inflation rate — i.e. inventory devaluation, profit and sales adjustments — instead of fostering the illusion of booming turnover and earnings.

Managing inflation in the short-term thus means running the business on a day-to-day basis, accepting the reality of inflation and adapting to it. Managing it over the long-term requires the opposite — to operate the business as though inflation did not exist.

Peter Drucker says it all on inflation-proofing a company for the long-term: "The activities which make tomorrow — scientific and technical research, product and process innovation and development; maintenance of plant and equipment; market development; customer service and the development and training of professional, managerial and skilled people — are run as if the interest rate were 3%, that is with disregard for the inflation charge.

Inflation management calls for two apparently contradictory objectives. One is to minimise cash balances and maximise short-term debt. The other is to maintain a high degree of liquidity since governments are prone to squeeze credit in inflationary times

These activities account for at least a tenth of total expenditures in any business — in some, they account for much more. But to inflation-proof the business, they must be given priority over everything, with the exception of the cash-flow necessary to protect the business against the pressures of the liquidity crunch."

In essence, the key to long-term survival in inflationary times is to protect those activities vital to the company's future, viz. product development, technical innovation and production efficiency.

While inflation management is essentially an exercise in financial acumen, dealing with recession is a matter of selling dynamism. The key executive in inflation management is the corporate treasurer; the vital man in recession management is the marketing director. It is no use producing quality goods economically if a recessionary market is unable to absorb them.

The broad strategy is to establish bridgeheads in new markets while retaining the company's share in existing ones. The tactical measures to be employed include:

□ Intensified market efforts to open up new selling areas — either in new regions or new consumer segments — even if they are small to begin with. Properly developed, the trickle can become a flow.

□ Maintaining existing client-relationships even if little business is done. At least they will serve as a source of replacement sales in the short-term and ensure customer loyalty over the long-term when the recession lifts.

□ Reducing profit margins over the short-term to maintain sales volume.

□ Offering discounts on sales to keep inventory moving.

□ Changing and modifying the product-mix or repositioning the product to attract new buyers.

□ Providing deferred payment terms with bank support in the form of a credit line for financing receivables, or by using the services of a factoring agency.

□ Establishing a deposit-taking firm or finance company and using its funds as a refinance source to back up credit sales.

□ Concluding a tieup arrangement with a leasing company to finance sales, if the product line comprises capital assets.

□ Always maintaining the marketing drive, advertising campaign and client-contact programme. High visibility is the company's insurance of a quick recovery when the recession blows over. The cost of maintaining the high profile is low, compared to the expense of resurrecting the corporate image later and recapturing lost customers.

The good news about recession is that it does not last very long as it is more responsive to economic therapy. Governments are eager to spend their way out of a recession to protect their revenues from indirect taxes and to prevent labour layoffs. Tax cuts, liberal consumer credits, lower interest rates, public works, development programmes and incentives to selected industries are the methods used to dispel a recession. For instance, stimulus to the construction industry will spur revival in hundreds of support and ancillary industries like cement, earthmovers, steel, glass, furnishings, engineering and realtor activity.

The key objective is to survive in fair shape when the recession ends so that the re-emerging opportunities can be effectively exploited.

■ *S.V. Kumar*

The author is a former general manager of SBI and freelance writer

Employer
tax
savings
and more.



Employee
retirement
income
and more.



LIC's Group Superannuation Scheme

Scheme highlights:

- Fund interest rate - 11% or more.
- Employer's contribution tax deductible upto 25% of salary (inclusive of P.F.).
- Employee's contribution tax deductible under Sec. 80 C.
- Convenient options available for pension payment:
  - Lifelong pension with return of capital and Group Pension Terminal Bonus;
  - Lifelong pension without return of capital;
  - Pension for 5, 10, 15 or 20 years and for life thereafter;
  - Joint-life pension.

Contact our Pension & Group Manager at the nearest Divisional Office for more details.

योगक्षेमं वहाम्यहम्

Life Insurance Corporation of India

daCunha/LIC/11/89

DISCRETIONARY TRUSTS

Discretionary trusts have become fashionable in this day and age not only for people who could become relatives in the future but also for the unborn. A trust for future beneficiaries is valid in law and cannot be ignored by the tax authorities. The implications under income tax law may, however, result in protracted litigation as assessing officers are inclined to tax the incomes of trusts in the hands of the settlor.

The Madras high court dealt with this point in *L. Gouthamchand v. C.I.T. (176 I.T.R. 442)*. In this case, the assessee, one Lalchand Sowar, created a "Suresh Trust" by means of a deed dated 14 October 1968. On the same day, his wife, Madan Bai, created another trust called "Ashok Trust."

Discretionary trusts are valid in law and cannot be ignored by the tax authorities



In the first trust, the assessee had a 5/34ths share and in the second a 10/75ths share. L. Gouthamchand had 10/34ths and 15/75ths shares respectively in the two trusts. The first trust was created for the benefit of the prospective wife of the minor son of Lalchand, viz. Suresh. The second trust was created for the benefit of the would-be wife of Ashok, another minor son of Lalchand.

A provision was made in the first trust deed that if Suresh did not get married before 30, or died without marrying, the corpus of the trust as well as the accretions should be conveyed to the other son, Ashok. In the second trust deed, a similar provision was made, with Suresh as the beneficiary.

In the course of the assessment proceedings, the income tax officer assessed the income share of the assessees from the trust funds in their hands on the ground that the trusts depended upon uncertain events — the marriages of Suresh and Ashok — and that the beneficiaries were also uncertain.

On an appeal by the assessees, the appellate assistant commissioner held that the trusts were valid and that the income share from both the trusts could not be assessed in the hands of the assessees. On further appeals before the tax tribunal, at the instance of the revenue department, it was contended on behalf of the latter that the income share from the two trusts should be assessed in the hands of the assessees.

The assessees, however, maintained otherwise. Referring to the clause in the trust deeds, the tribunal observed that in both the trust deeds there was no provision to indicate as to what should happen if both Suresh and Ashok passed away before either of them became entitled to the corpus and the accretions to the trust funds. The trusts would then fail and under s.83 of the Indian Trusts Act, 1882, there would be a resulting trust in favour of the author of the trust and his wife.

The counsel for the assessees contended that the tribunal was wrong in applying s.83 of the Indian Trusts Act. The income share of the assessees from the trust could not be assessed in their hands as it could not be postulated that the trust was incapable of execution.

The Madras high court held that to constitute a valid trust, the author of the trust should indicate with reasonable certainty his intention to create a trust, the purpose of the trust, the beneficiary, the trust property and also the transfer of the property to that trust. Though it may not be possible to say at the stage of the execution of the trust as to who would be the actual beneficiary of the trust, so long as the trust deed gave the description of the person to be so benefited, the beneficiary could not be said to be indeterminable nor could the trust be otherwise considered invalid.

In this case also, under clause 6 of the deed of trust, a provision was made to the effect that if Suresh did not get married before becoming 30 or if he died without marrying, then the trustees would convey the capital amount as well as the accretions to the other son, Ashok.

Similarly, in the other trust deed relating to the "Ashok Trust," which was executed by the wife of the assessee, a provision had been made to the effect that if Ashok did not get married before attaining the age of 30 or died without marrying, the amounts set apart, together with the accretions, should be conveyed to Suresh.

In clause 5 of the respective trust deeds, the beneficiaries had been indicated with certainty, though the actual identity could get fixed only if Suresh and Ashok got married. In this case, their respective wives would be entitled to the trust funds along with the accretions.

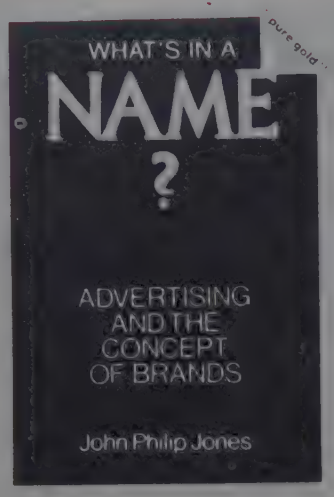
The court observed that clause 5 of the trust deeds indicated with reasonable certainty who the beneficiaries would be. The trusts could not thus be held to fail for want of certainty about the beneficiaries. Clause 6 of the respective trust deeds merely provided for a contingency which may or may not arise. However, since Suresh and Ashok had got married, there was no scope whatever for clause 6 of the respective trust deeds to come into force. The court, therefore, held that the tribunal was clearly in error in applying s.83 of the Indian Trusts Act to the trusts in question.

The enunciation of the law by the Madras high court is correct, though it is likely that the revenue department will appeal to the Supreme Court. Hence, the trusts may be separately assessed in respect of such income. However, the provisions of s.164 of the Income Tax Act may be attracted in such a case, and the income of such a trust would be assessable at the maximum marginal rate of tax.

■ *H.P. Ranina*

The author is a Bombay-based advocate

AN ADMAN'S ADVICE



(Published by Gower Publishing Co. Ltd., Croft Rd, Aldershot, Hampshire, GU11 3HR, England. Price: $50, hard cover edition.)

Advertising and marketing books are a dime a dozen these days. But every once in a while, comes a book which stands out from the run of the mill stuff. *What's in a name?* by John Philip Jones, is one such tome.

Jones is currently associate professor (advertising) at Syracuse University, USA. Before moving to academics, he had spent 25 years (must be a record of sorts for an advertising man) with J. Walter Thompson. *What's in a Name?* is about advertising and its role in the lifecycle of brands.

The book is a must for all marketing and advertising professionals as it deals with real-life situations, and Jones adds lots of insight to analysis. But one thing can be said straightaway. The book will not be a great hit with academicians as it questions some of the theories taught in business schools. For example, Jones argues that the primary role of advertising is to reinforce brand loyalty and not to ensure brand switches. And he should know what he is talking about. For, unlike other pundits, he does not preach about things he is not absolutely familiar with. Having spent most of his advertising career handling consumer non-durables (CNDs), Jones restricts himself to them only. A majority of the examples discussed in the book are either American or British. In spite of this, there are a number of good lessons that one can learn from *What's in a name?*

Six hypotheses. The book is based on six hypotheses. The first states that women are the most important category of buyers for CNDs. Jones quotes data to show that nearly 70% of the purchases of non-durables is made by women, even though a majority of the goods purchased are for family use.

The second hypothesis is that consumers buy repeatedly, and buy not just one brand but a repertoire of brands. Jones contends that consumers do switch from one brand to another, but in a regular pattern. Empirical data in each and every category shows that a consumer buys more than one brand (with varying degrees of irregularity). The author argues that this uniformity or element of constancy of irregular purchase in CNDs is the main reason why it is difficult to break into these markets.

Jones' third hypothesis is that "competing brands in a product market differ from one another in functional terms." This is contrary to the popular belief that brands in consumer markets are indistinguishable from one another.

According to Jones, a majority of consumer goods markets are oligopolies dominated by a small number of large competitive manufacturers (true for India also). While accepting that improvements and relaunches are copied by the competition, he points out that this is no reason to believe that all brands in a market are functionally interchangeable. The evidence of differences between brands (functional) comes mainly from blind product tests. Although, such tests provide fairly clear-cut results, Jones thinks it unwise to interpret them in a clear-cut way.

Hypothesis number four postulates that brands are enriched with "added values." This is something marketeers aim for as added values account for successful brands being preferred over competing ones in real situations by a higher margin than in blind product tests. Blind tests, in fact, mask out added values.

Well handled topic. The fifth hypothesis is that the field of CNDs is relatively advertising-intensive. No arguments from any quarter on that. By this, Jones means that the advertising to sales ratio is higher in CNDs vis-a-vis other categories. The obvious inference one makes here is that advertising in CNDs is a relatively important sales generating activity. This topic is handled extremely well by Jones.

DURABLE MARKETING GURU JONES



The sixth and last hypothesis is that the field is very large. Advertising investments in the various categories of CNDs are consistently large and account for more than 60% of the amounts spent by the 100 largest advertisers in the US. It is with packaged goods that television has developed its ability to show both the functional characteristics of brands by demonstrating them and to generate non-functional added values, largely through the communication of mood and emotion. In the process, manufacturers of CNDs have also become the most advanced marketing and advertising people.

Jones, through his excellent analysis in this book, makes the whole topic of CND marketing exciting. This is a book where a personal copy is a must.

■ *D. Shivakumar*

In consumer non-durables, the primary role of advertising is to reinforce brand loyalty and not to ensure brand switches, argues author John Philip Jones

Noticeably Superior.
With built-in executive perks.

Every feature of this range of luggage has been thoughtfully built-in for today's go-getters.
Hallmark. An international range of ABS luggage that leaves behind a great impression.
A glance at its exclusive features will tell you why it's noticeably superior.

Briefcases and Carry-ons

Designed for executives. Briefcases for office use and Carry-ons for short business trips.
In a two-tone leather like finish that's classy and prevents scratches from showing.



A unique stainless steel frame makes it sturdy and long lasting. The clever tongue-and-groove design helps seal out dust and moisture. And for holidays or family travel choose our roomy, elegant Suitcases and stylish Vanity bags.



Hallmark. Finally, luggage that's tailored to suit your lifestyle and needs.

American Tourister

AWARD-TIME FOR INGERSOLL RAND



SETNA MAKES IT TO THE ET-HBSAI HALL OF FAME

He makes an unlikely business hero. But when the annual *Economic Times*-Harvard Business School Association of India (ET-HBSAI) awards for excellent corporate performance were announced in April, there was no way he could avoid the limelight. For, Jamshed Setna's Ingersoll-Rand (India) Ltd. (IRIL) was adjudged the best performer in the category of private sector mini-giants in 1988. Bagging the honours in the two other categories of public sector and private sector giants were Bharat Refractories and tyre company MRF Ltd. respectively.

For IRIL, however, publicity puffs are out. "Had Asian Paints been eligible, we would not have stood a chance," says Setna, chairman of the IRIL board, modestly. (Asian Paints, a winner last year, was automatically excluded from the reckoning in 1988.)

A chartered accountant by training, Setna symbolises the quiet backroom character of this oldest Indo-American venture. Wary of hogging the arclights, Setna stresses that "the award is a recognition of our in-house talent." And if credit must be allocated, it should be shared equally by the management trio, which includes, apart from Setna, two executive vice-presidents, Ashwin Nagarwadia and P.H.Dastur.

Hall of fame. Nevertheless, there is no denying that IRIL has something to crow about with its induction into the ET-HBSAI hall of fame, which houses companies like Shriram Fibres, Madras Cements, Raasi Cement, Chloride India and Asian Paints, the winners since 1983, when the award was first instituted. "We feel privileged to have been admitted into this club," says Setna.

For good reason. The eligibles are put through acid tests related to production, marketing, accounting practices, *et al*. However, once the preliminary whetting is done, the final pick hinges on five chief criteria: gross margins, sustainable growth rate, return on net worth, value addition and cash flow.

"Among mini-giants, Ingersoll-Rand emerged one-up on all the above counts, though the decision was very close," said H.T.Parekh, chairman of the awards committee. According to Setna, the award certainly means a lot to IRIL's employees as the committee had considered much more than just the money-spinning ability of the contenders.

But that doesn't mean IRIL isn't going for big money. The company has drawn up plans to venture into more lucrative operations, besides bolstering its mainstay activities. Currently, the still 74% American-owned subsidiary, has two distinct profit centres — compressors and construction equipment. In compressors, IRIL continues to be a major exporter. In a bid to consolidate its other division, the company has begun widening its existing range of mining, drilling and crushing equipment. " It is an ideal alliance of operations, the low-margin high-volume compressors with the high-margin low-volume drills," says Nagarwadia.

NAGARWADIA IS AFTER HIGH MARGINS

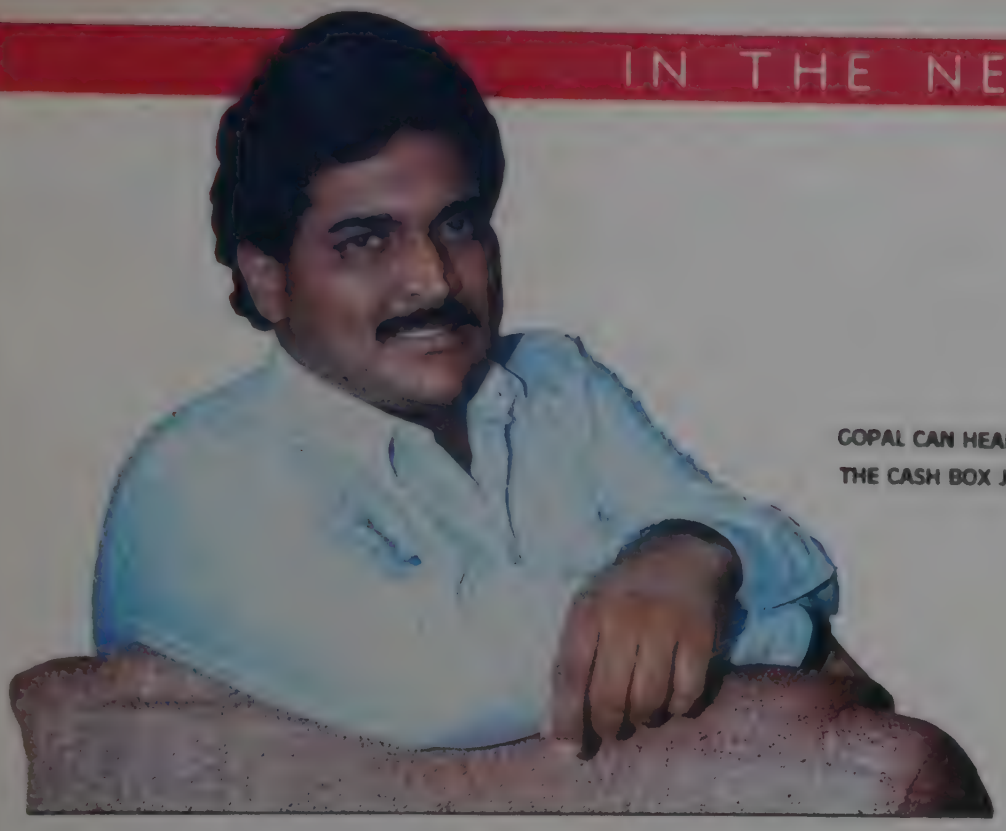


With capacity expansion licences already in hand, IRIL executives are confident that the company's bottomline will change in colour and complexion over the next two years. "Our turnover is expected to reach the Rs 100 crore-mark. Our margins are improving," says Setna. This is borne out by the fact that IRIL has already declared an interim dividend of 30% for the 15-months ended 31 March 1989 as against the full and final dividend of the same amount paid for the previous year.

Areas of proven experience apart, IRIL now supplies most ground-support equipment to the nation's domestic and international airlines. Also on the launchpad are plans to custom-make these for use by the nation's air and naval forces.

"Considering that the established players have no modern equipment to offer, we have identified roadbuilding and maintenance machinery for profitable diversification," says Nagarwadia. Granulators, graders, pavers, vibratory compactors, milling machines — the entire roadbuilding and maintenance paraphernalia is what the company has in mind to offer the nation's public works departments.

IRIL might well do an encore of its award-winning performance in 1989. Only, having already won the ET-HBSAI award for 1988, there won't be no award this time.



GOPAL CAN HEAR THE CASH BOX JINGLING

STREET-SMART MUSIC MAKER

He's been making waves in the music industry. Within two month of flagging off his company, Suresh Gopal, managing director of Bombay-based Magnasound (India) Pvt. Ltd. and the man who brought Madonna to India (on audio cassette), has chalked up considerable success. Launched only on 24 February, Magnasound totted up sales of 94,000 pre-recorded audio cassettes by end-March. "We were expecting the figure to be close to 70,000, but what we've got is great," says Gopal.

Gopal is now sure he'll survive all the odds: piracy, competition and the dead end the legitimate music industry is facing. "We'll make it big," says he. "Chart toppers we are bound to be."

Confidence. He can afford to be confident as he seems to have got the mix right. With a licensing agreement for exclusive rights to reproduce and sell the extensive music catalogues of WEA Inc. (three record labels, Warner, Elektra and Atlanta, owned by the Warner Communications group), he's sitting on a goldmine. Under the agreement, Gopal will be paying a "cumulative" royalty of 15.4% on sales. In return he has got access to recordings varying from compositions of Beethoven and Handel to the strains of Frank Sinatra, Madonna and Tracy Chapman.

Without even having a production facility, Gopal plans to release 20 new international titles on audio cassettes and records each month. Currently he gets the master tapes (or master compact discs) from WEA Inc.'s client servicing office in Hongkong and sub-contracts the work to two Bombay-based duplication outfits. Says Gopal, "All this is of course done under our supervision to maintain quality. We find the subcontracting arrangement very workable."

It should be. Besides keeping overheads low, it does away with the necessity of setting up a plant — which could prove an expensive proposition for a company with an authorised capital of only Rs 10 lakhs.

The licensing deal with WEA covers not only India, but has also thrown open the markets of the USSR, Iran, Iraq, Bangladesh, Sri Lanka, Pakistan and other Saarc countries. "If these countries are conducive to exports, I'll do that. If not, we could tie up with a local manufacturer and set up a joint venture," says Gopal.

The plague of piracy and cheap imitations which have changed the entire structure of the Indian music industry — with even majors like CBS and EMI recording massive losses — does not worry Gopal. "Piracy is not in a position to kill the legitimate industry," says he."Discerning music listeners don't mind paying for quality recordings on quality tape in quality packaging. Offer this and you've got them hooked."

Gopal plans to use innovative marketing strategies to push his wares. The schemes he is thinking of include direct marketing, campus advertising and what he calls "music happenings."

If everything works, Gopal expects Magnasound to rake in a turnover of Rs 3.5 crores by March 1990. He has got it all taped up, but only if the market proves a good listener will he achieve his targets.

BITS & BYTES AUCTION

Sometimes, there's money in marrying hi-tech to the humdrum. Recently, when the hammer thumped the table at a Madras auction, it was not a piece of esoteric art or musty old furniture that got sold. It was a computer.

The city's first-ever computer auction was organised by Computer Factory, a spanking new outfit, in alliance with the Bangalore PC Users' Club, an old hand at such shows. "There are several computer users who want a new machine and may want to get rid of their old stuff. And there are others who want a computer but can't afford a new one. We're the go-betweens," says C.Dhananjay, a partner with Computer Factory.

The lower prices of used sys-

SRINIVAS AT COMPUTER FACTORY'S OFFICE



tems should certainly attract custom. The auctions in Bangalore, held a few months ago under the auspices of the PC Users' Club, certainly drummed up fair business with 36 business computers and dozens of PCs changing hands. "Seeing the success of the Bangalore auctions, we thought it should do well in Madras, too," says C.N.Srinivas, the second of Computer Factory's trio of partners.

The benefits to both buyer and seller are obvious. The latter gets a ready forum for the sale of used products without having to go through the hassles of finding a genuine buyer; the former gets a usable system cheap. Not surprisingly, the Computer Factory's first auction of 95 different items — ranging from home computers to PCs to legal software to spares and consumables — drew over 150 prospective buyers. They bought up over Rs 1 lakh of the stuff over the auction week last April.

Strong retail chain. Dhananjay, a graduate of the Indian Institute of Technology, Kharagpur, reckons that his auction outfit will make a loss for now, but should soon be in the black. Computer Factory's ambitions, however, go far beyond just being middleman in auctions. The idea is to emerge as a strong retail chain.

Two months ago, when Dhananjay and Srinivas, along with the third partner Moses Lawrence, put in their papers at Computer Point, the country's pioneer computer retailer, it was because they had spotted a niche in the emerging computer marketing setup. Today, most manufacturers prefer to sell their lower-end computers like PCs indirectly. And indirect marketing outlets can broadly be classified into two: retail showrooms, where volumes may be high but margins low; and value-added reselling, where computers have guaranteed service and other frills, which means lower volumes but higher margins.

"Computer Factory has positioned itself between the two. We're looking at low turnover and a satisfied customer base," remarks Dhananjay. Turnover projections for the first year stand at Rs 1 crore. Dhananjay believes that there is no way manufacturers can sell and maintain computers on their own in the not-too-distant future. That's why he and his colleagues decided to take the plunge and set up shop in Madras, with PCs being their main domain. If business takes off as envisaged, there are plans to open two more shops in Bangalore and Hyderabad by the end of next year, and two more in Coimbatore and Visakhapatnam some time after that.

Some time next year, if the plan to sell 'People's PCs' at Rs 13,000 for government-sponsored programmes comes through, a major portion of these machines could be sold through computer shops. "When that comes about, retailing will be big business. We are preparing ourselves for the expected boom," says a confident Dhananjay.

WINNING THROUGH FOWL PLAY



RAO HAS PLACED ALL HIS EGGS IN ONE BASKET

B Vasudev Rao is one person who can count his chickens before they are hatched. That's because they take birth in incubators where all the parameters are mechanically controlled. Allowing for predetermined levels of 'wastage' (for example, chickens born dead) Rao knows exactly how many crackling one-day-old chicks he can get every week.

He gets them by the millions. Rao, who has pioneered the commercial growth of the Indian poultry industry almost single-handedly, now heads the Rs 100-crore empire (flagship: Venkateshwara Hatcheries Pvt. Ltd.) that claims to account for more than 60% of the total broiler sales in the country.

It is a chicken and egg situation that Rao presides over. Having started with Venkateshwara Hatcheries Pvt Ltd., in 1971, Rao now oversees about 30 companies, of which just 12 are hatcheries. He has actually put together a remarkably intergrated poultry empire which reflects a corporate strategy and vision that would draw appreciative nods from large industrial groups.

Rao's strategy, in essence, is growth-by-synergy. Only he is doing it in an unglamorous area; it almost never puts him in the limelight, unlike the Ambanis and Ruias of the industrial world. But like them, starting with producing just two products (chicken and eggs), Rao has moved into almost all areas connected with that core operation.

Pureline breeding is one of them. To get quality chicks, you need quality eggs. And vice-versa. Rao has floated two firms for this purpose — Venkateshwara Research and Breeding Farm Ltd. in collaboration with ISA Breeders Inc. and Venco Research and Breeding Farm Ltd. with Cobb Vantress Inc., both of the US. These produce parent birds that are supplied to the hatcheries which produce eggs for hatching.

Feedstuff and health products come next. In 1978, Rao set up Ventri Chemicals (P) Ltd. to produce poultry feed, growth promoters, dewormers and antibiotics. In vaccines production, the effort is spearheaded by the Ventri biological division of the parent firm and Srini Biological Laboratories (P) Ltd. Together they produce almost the entire range of poultry vaccines.

Hatchery equipment. With Canadian collaboration, VHPL is floating a company to make incubators, which till recenly were being imported. With the proliferation of hatcheries, Rao has opened up a new market for himself.

In an astute move, Rao is adding great value to his basic operations by exploiting the exploding market for fast foods. But if the marketing of cooked and semi-cooked Venky's chicken displayed business opportunism, Rao took it right upto its logical end. The group has set up two fast food restaurants in Pune, Maharashtra, where it is headquartered. A restaurant chain covering Delhi, Bombay,Calcutta and Bangalore is in the works.

And now, Rao has brought his involvement full circle by starting the Institute of Poultry Management and the Poultry Diagnostic and Research Centre. The centre offers free medical services to small poultry operators.

Rao, of course, downplays his strategy. "We did not plan for such synergy. We had to take up the production of incubators, for instance, when we saw nobody coming forward." It has, of course, meant growth opportunities for Rao. He is pitching for a Rs 300-crore group turnover in the next three years. Putting all his eggs in the same basket has obviously served Rao well.

UNCORKING A PET GENIE

Revolutionary changes are taking place in the containers industry with conventional bottles giving way to new ones. Thus glass is yielding its primacy to lightweight and high-strength polyethylene terephthalate (PET) — and as a result PET jars and bottles have already captured a respectable 10% market share in the bottling industry.

The pioneer's role in this transformation has been played largely by the Delhi-based Pearl Polymers Ltd., flagship company of the Pearl Group (sales: Rs 35 crores in 1988-89). In a span of four years, Pearl Polymers has tripled its capacity from 4 million to 12 million containers per annum, and with appetite duly whetted, it is about to start a new Rs 3-crore plant at Mahad (Maharashtra) to add another 8 million to its existing annual capacity.

Says Chand Seth, chairman of the Pearl group: "Stretch blow moulding is a new technology in the country. This technology is only 12 years old in the world and has grown rapidly. We are happy to have been able to bring it to India, having roped in know-how from Fibrenyle of UK, one of Europe's largest PET bottle manufacturers."

Growing demand. According to Seth, a US educated mechanical engineer, the demand for PET bottles and containers is steadily increasing, thanks to demand pull from the edible oil, pharmaceuticals, cosmetics and carbonated beverages industries. Several edible oil market leaders like Postman, Saffola and Amrit Banaspati have switched over to Pearlpet bottles for packaging their products. He estimates the potential demand for PET bottles and jars at over 3,600 tonnes currently, and expects this figure to top 9,000 tonnes by 1993.

Explaining the advantages of PET, Seth says: "Besides being unbreakable, its transparency enables the customer see the contents. Being lightweight, freight and transportation costs are much lower than for glass bottles." He adds that since the three major components of PET resin are oxygen, hydrogen and carbon, which are each "very pure in nature," their use in food packaging is "absolutely safe and harmless." There are no additives like plasticisers and stabilisers either.

This partly explains the high demand for PET containers, notwithstanding their higher unit cost vis-a-vis glass bottles. "We are unable to meet the requirements of our customers," says Seth. "In fact, we may have to set up two more units in the northern region of the country if a prospective deal with Pepsi comes through. Samples of our products have already been approved by Pepsi's parent company overseas." Incidentally, Thums Up is already using one-litre Pearl PET bottles. Pearl is also planning a separate line for the manufacture of hot-fillable or heat-resistant and returnable PET bottles with technology from Fibrenyle. Along with this project, the group is negotiating with Unipet of Japan for manufacturing polyester chips.

PET PIONEER SETH



DESTINATION L.S.E.

LONDON SCHOOL OF ECONOMICS & POLITICAL SCIENCE 1980s' SCHOLARSHIP FUND

The L.S.E 1980s' Fund offers three scholarships for the academic year 1989-90. These are available to candidates who wish to pursue a post-graduate course at the School. The Fund will finance about 75 percent of the total amount of the yearly fees payable to the School. The scholarships will be available for a maximum period of two years. Only those candidates who have received confirmed admission for the post-graduate courses of study including taught post-graduate courses on research degree in Economics and other subjects need apply.

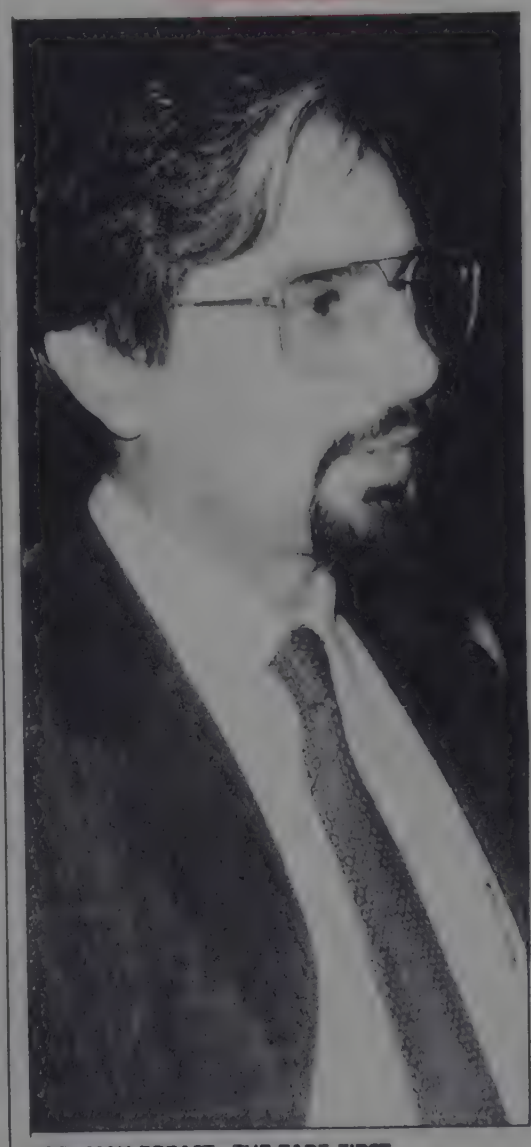
Write for full details and entry forms to:

Shri R.S. Bhatt
Ewart House
Homi Mody Street
Bombay 400 023

ALL COMPLETED APPLICATIONS MUST BE RECEIVED BY MAY 30, 1989.

The total investment on these projects is estimated to be around Rs 10 crores. Should they fructify, the company will be in a position to annually manufacture 50 million bottles by 1993, thus truly uncorking the PET genie once and for all.

A PASSPORT TO AMUSEMENT



GOEL MAY BREAST THE TAPE FIRST

At one time it looked like being a close finish. But, on current form, it seems that Esselworld will breast the tape first in Bombay's amusement park stakes.

Esselworld expects to flag off the first phase of its 250-acre "education-cum-recreation" centre near Gorai Village by September this year. That puts it a fair step ahead of Fun City which, though expecting to make its inaugural splash last year (see *BW* 23 May-5 June,1988, p.10), has lagged behind.

Esselworld is now pulling out all the stops to rope in clientele even before the park takes off. For starters, it has launched a passport scheme. The two Esselworld passports — Silver and Magnum — are close cousins of credit cards, with frills added. The passports can be used by visitors to Esselworld to charge all their spending there. Other benefits include free entry and discounts on food and merchandise purchases.

The price tag could, however, pose a problem. The Silver passport costs all of Rs 3,500 and the Magnum variety is only slightly cheaper at Rs 2,000. That would seem a fat amount considering that the validity period is only one year.

Confident of success. The promoters are, however, confident of success. "I am sure that the response will be good," says Subash Goel, chairman and managing director of Essel Amusement Parks (India) Ltd. "Our market research findings vouch for that."

If the scheme succeeds, it should be another feather in Goel's cap for it hasn't been very easy setting up Esselworld. Along the way he had to face a lot of flak from environmentalists and, of course, there were the customary bureaucratic hassles.

Currently, however, all the clearances have been received. Development of some 64 acres has been taken up at a cost of Rs 25 crores. Another Rs 125 crores will be pumped in over the next half-decade for the other five phases of the project. Besides, there is also a technical tieup with Blackpool Leisure & Amusement Consultancy of the UK.

On the face of it, it seems all systems go for Esselworld. But it is left to be seen whether the current scheme proves to be a passport to prosperity.

(Contributed by Anil Wanvari, Ashoke Laha, Vinay Kamath, A.H. Ghani, Debashis Basu & Srinivas Vijay.)

HINDALCO'S BRIGHT SHEEN

For Hindustan Aluminium Corporation (Hindalco), the sheen on aluminium has never been brighter. Thanks to the government's deregulatory zeal, the abolition of controls on aluminium selling prices and the scrapping of the aluminium regulation account (ARA) will add at least Rs 50 crores to Hindalco's bottomline this year. That's a windfall by any yardstick. And it's sweet recompense for a company that had to dip into its reserves to pay dividends in 1980, courtesy government policies.

But true to Birla tradition, ecstasy isn't in. "This is a step in the right direction," is all that a quietly happy Askaran K. Agarwala, Hindalco's president, has to say. Adds Agarwala, who was recruited personally by the legendary G.D. Birla to establish the company in 1959: "Of course it would have been better if the government had taken the decision a little earlier."

Hindalco's management has, in fact, been crying foul against the government's controls ever since they were introduced in 1967 as it felt that they penalised efficient manufacturers instead of rewarding them. Under the policy, those who produced aluminium at a cost that was lower than the officially fixed retail price had to deposit the difference in a common pool: the ARA. The government, in turn, dipped its hands in this pool to subsidise those firms whose production costs were higher than the sales price.

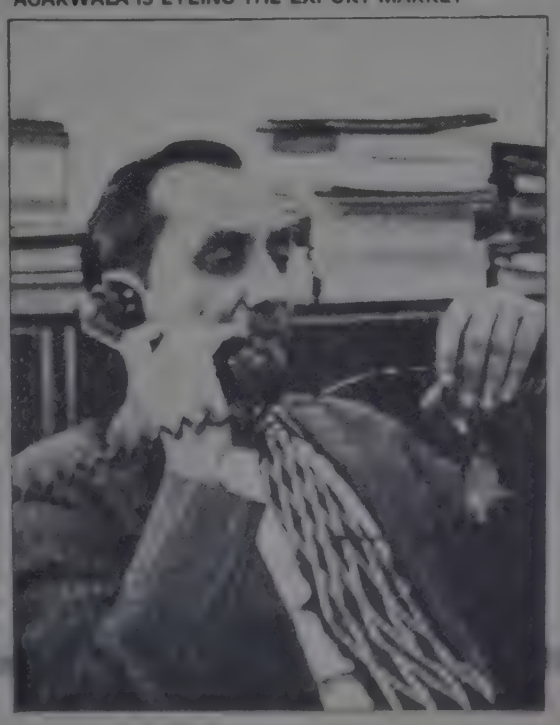
Until the last budget (for 1989-90), Hindalco — one of the five Indian producers of this primary metal and which has a 32% market share — was among the largest contributors to the fund. Last year, the company had to pay almost Rs 4,000 for every tonne of metal it produced to the ARA. Since it manufactured 1.25 lakh tonnes of aluminium, it kissed goodbye to over Rs 50 crores. Now, of course, all that goes to swell the pre-tax bottomline by an equivalent amount.

Ambitious blueprints. For this Rs 350-crore company, a part of the Rs 2,566 crore Basant Kumar-Aditya Vikram Birla group, the cash chest could not have come at a better time. The company has drawn up ambitious blueprints for modernisation, expansion and diversification:

- It proposes to spend Rs 200 crores over the next two years on a massive modernisation programme at its Renukoot plant situated near Mirzapur in Uttar Pradesh.
- Plans are afoot to expand the smelter capacity from 1.5 lakh tonnes per annum (tpa) to 2.5 lakh tpa at a capital cost of Rs 1,200 crores. In its application to the government, Hindalco has simultaneously asked for an increase in capacity for the production of aluminium ingots from the present 1.5 lakh tpa to 2.5 lakh tpa. Enhanced production of downstream products is correspondingly envisaged with the capacity of rolled products going up from 25,200 tpa to 65,200 tpa and that of extrusions from 8,500 tpa to 18,500 tpa.
- Among Hindalco's sanctioned new projects is a facility to manufacture 5,000 tpa of aluminium foil at an investment cost of Rs 75 crores. The new project will be located at Jagdishpur in the politically sensitive district of Rai Bareli (UP).
- Hindalco is also toying with the idea of getting into sponge iron — ironically at a time when just about every business house is thinking about it, including, curiously, two sister companies, Grasim and Century.

On top of all this, the company is eyeing the export market, confident of success. At first glance, the hopes seem to be justified. International prices of aluminium have been ruling higher than domestic prices for the last two years. "Even today, they are higher by Rs 2,000 to Rs 3,000 per tonne over our domestic pre-excise price of Rs 31,750," says Agarwala. "Our export plans, however, are focused more on value-added downstream products such as rolled sheets and extrusions than on the primary metal itself."

AGARWALA IS EYEING THE EXPORT MARKET



Dramatic transposition. Aluminium consumers in India will, however, not be happy with the dramatic transposition in the government's aluminium policy, especially since some of their fears already seem to be coming true. Immediately after price decontrol, several manufacturers, including Hindalco, raised their prices of this essential commodity. Agarwala is quick to defend Hindalco's Rs 2,000 per tonne hike: "It is true that our price has gone up. But costs — coal, freight and raw materials, to name just a few — have also gone up. And in the open market, aluminium prices have actually gone down.

Shareholders will, however, be less than concerned about the fate of aluminium consumers. The Rs 10 Hindalco share, which was traded around Rs 155 in January, has more than doubled in value and hit a peak of Rs 320 on 24 April before the reaction set in.

No doubt about it. If the 1988-89 budget could be dubbed Ambani's budget in view of the number of benefits showered on Reliance Industries, this year's budget's biggest beneficiary is Hindalco. Agarwala is, however, quick to point out that when the controls were introduced the idea was to prevent the private sector from dominating a core sector industry like aluminium. "Now that two-thirds of Indian aluminium production comes from the public sector Nalco and Balco, this situation cannot arise. The policy was changed this year principally because of Nalco's expansion. In fact, it is the government which is the biggest beneficiary," he says.

But clearly, the telling moral of the story is that howsoever closely the Birlas pay attention to the partha, it is the government which has a decisive say on the colour and complexion of the bottomline.

■ *Gita Piramal*

POND'S (INDIA)

PROMISING FUTURE

The outlook for Pond's (India) Ltd., a Unilever group company manufacturing cosmetics and toiletries, is highly promising. During the 18-month accounting period ended 31 December 1988, the company's gross profit rose 23% although sales had gone up by only 3%. If the first quarter's (January to March 1989) performance is any guide, sales should swiftly cross the Rs 100-crore mark this year and the gross profit should rise by at least 25% over the previous year. Shareholders who were issued bonus shares (in the ratio of 1:1) and rights shares (in the ratio of 1:8) last year, can expect a dividend of between 20% and 25% this year on the substantially increased capital as against the 40% paid for the previous 18-month period (27% on an annualised basis).

The improved outlook for the current year can be attributed to growing business following diversification into clinical thermometers and shoe-uppers. The thermometer project is doing extremely well as its entire production is being bought by Sherwood Medical of the US under a buyback agreement. Two units of shoe-uppers have been running at full capacity and a third one went on stream last year.

The company has set up an export-oriented project for processing 10,000 tonnes per annum of mushrooms in technical collaboration with Georgia Foods of the US. The American company has agreed to buyback the entire output.

The export-oriented projects augur well for the company's future.

TUBE INVESTMENTS

PEDALLING RAPIDLY

There are good tidings for the shareholders of Tube Investments Co. Ltd., the Madras-based manufacturer of bicycle-dynamo lamps, steel strips and tubes and metal sections. The company, which had put up an encouraging show during the previous year (1988) with a 19% rise in sales and a 35% jump in gross earnings, is doing even better in the current year. The management is likely to maintain the equity dividend at 24% even on the increased capital following last year's rights issue.

If the performance in the first quarter is any indication, the turnover during the current year will reach the Rs 200-crore mark as compared to the Rs 168 crores last year. The gross profit is likely to exceed Rs 7 crores (Rs 5.73 crores). The company's reserves at the end of this year are expected to exceed its equity capital of Rs 6.71 crores by over four times.

PRESTIGE FOODS

REGAINING PRESTIGE

Though the worst seems to be over for Prestige Foods Ltd., the Madhya Pradesh-based soyabean processing company, its shareholders may have to wait for at least one year before they can expect any return on investment.

The company, which went into the red during the year ended 30 June 1988, (having incurred a net loss of Rs 1.60 crores), has now started earning profits.

The capacity utilisation,which was between 25% and 30% last year, has improved to over 50%. The actual half-time (July to December 1988) results clearly indicate a better performance.

Prestige has earned a net profit of Rs 77 lakhs on a turnover of Rs 22 crores during the first half of this year as against a net loss of Rs 46 lakhs on a turnover of Rs 15 crores during the corresponding period of last year.

Prospects for the second half are also good and the company should show a profit for the whole year. However, in view of the loss brought forward, it may not be able to re-enter the dividend list. It had last paid a dividend of 26% during 1985-86 before skipping it altogether for the next two years. If the monsoon is good this year, the company may be able to pay a dividend next year.

Companies this fortnight

(Rs crores)

	Pond's (India) (year ending December)			Tube Investment (year ending December)			Prestige Foods (year ending June)		
	1986	1987	1988*	1986	1987	1988	1986	1987	1988
Sales	74.03	86.96	134.11	117.34	138.52	168.31	14.52	27.69	33.51
Gross profit	3.78	4.58	8.44	5.98	8.71	11.74	0.53	0.41	—1.22
Paid-up capital	2.94	2.94	6.68	5.73	5.73	5.73	1.68	3.78	3.78
Reserves	9.09	11.52	10.52	20.12	21.52	25.51	0.89	0.98	—0.68
Gross fixed assets	11.26	13.41	15.22	49.24	53.15	54.21	4.00	7.03	7.45
Dividend (%)	27.50	40.00	40.5	16.00	20.00	24.00	26.00	Nil	Nil
Earnings per share (Rs)	10.83	12.27	6.61	7.05	6.62	8.10	2.50	0.42	—4.23
Paid-up value (Rs)	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Market price as on 5 May 1989 (Rs)			191.25			60.00			16.00

*For a period of 18 months

COCHIN REFINERIES

PROFIT ZOOMS

Cochin Refineries Ltd. (CRL) has chalked up a turnover of Rs 1157.72 crores for the year ended 1988-89, up from Rs 1032.11 crores the previous year. Gross profit has risen by 31% over the previous year to Rs 72.12 crores. Post-tax profit almost doubled from Rs 19.54 crores to Rs 39.07 crores. During the year, CRL processed a record 4.761 million tonnes of crude. Besides, capacity utilisation touched an all-time high of 105.8%.

As part of its diversification programme, CRL has set up a Rs 75 crore plant to produce 87,200 tonnes of benzene. Another project on hand is to manufacture toluene. The plant, which will have an annual capacity of 12,000 tonnes, is scheduled to be commissioned in August this year.

To meet its power problems, CRL is putting up a 20 Mw captive plant which will use refinery fuel gas to generate electricity. The plant, estimated to cost Rs 57 crores, is scheduled to be commissioned during the first half of 1991.

UNIVERSAL CABLES

SILVER JUBILEE CHEER

Bombay-based Universal Cables Ltd. has totted up good results for the year ended 31 March 1989. Turnover has clip-clopped ahead to Rs 116.63 crores as against Rs 100.90 crores in the previous year — a rise of 16%. Gross profit has increased to Rs 15.07 crores (Rs 11.18 crores). At the end of the year, the company had a total disposable surplus of Rs 8.64 crores. The management has recommended a dividend of 27% (including a 5% bonus dividend in the company's silver jubilee year). This is about five points more than the previous year.

The company has bagged an order for the supply of 132 Kv super tension cross-linked polyethylene insulated power cables. It has also signed an agreement with the Central Glass & Ceramics Research Institute (CGCRI), Calcutta, to commercialise and upgrade the latter's indigenous technology for multi-mode optical fibres. Also, one of its subsidaries (Universal Telelinks Ltd.) has signed a memorandum of understanding with Gosagoprom of the USSR for knowhow to manufacture citric acid.

BROOKE BOND

GOOD SHOW

Brooke Bond India Ltd. has put up a good show for the 18 months ended 31 December 1988. Gross income reached Rs 638.94 crores as compared to Rs 399.47 crores in the previous 12-month period — a 6.64% rise on an annualised basis. While pre-tax profit shot up from Rs 29.31 crores to Rs 60.21 crores (37.15% when annualised), post-tax profit leapfrogged 67.5% (annualised) to Rs 36.21 crores. Dividend per share worked out to Rs 3.67 (Rs 3 in the previous year).

COFFEE IS BROOKE BOND'S SECOND LARGEST CONTRIBUTOR



Brooke Bond's tea division contributed a major chunk (83%) to the company's sales. Coffee contributed 13% and the paper division recorded an improvement in both volume and profits.

At Brooke Bond's AGM held recently, D.K. Basu, chairman, said that the company plans to make a big foray into the food processing arena. But it plans to reduce its presence in another area: paper. The Bilaspur paper unit is on the chopping block. According to J.S. Sabharwal, the move comes in the wake of the company's plan to get out of unrelated areas of business since it affects the overall performance of the company.

HINDUSTAN ANTIBIOTICS

IN GOOD HEALTH

Hindustan Antibiotics Ltd., Pune, has notched up a turnover of Rs 85 crores for the year 1988-89 — a 21.2% rise over the previous year. Net profit is expected to be around Rs 1.25 crores.

During the year, production of penicillin rose to 323.7 million mega units from 264.1 million mega units. Production of streptomycin was 108.4 tonnes and that of gentamicin 949.35 kg. The company has entered into technical tieups with Panlabs of the US for Penicillin and Pharmachim, Bulgaria, for gentamicin.

GRAPHITE INDIA

PETROCHEM FORAY

Yet another company to be bitten by the petrochemical bug is Graphite India Ltd.(GIL). This Calcutta-based company, which manufactures electrodes, proposes to join the league with a minimum investment of Rs 100 crores. GIL is in the process of identifying the product range and finalising a technical tieup.

Meanwhile, GIL is likely to bounce back to the dividend list this year. Total income for the 15-month period ended March 1989 is placed at Rs 75 crores. On an annualised basis this works out to a 25% rise over the previous 12-month period. According to G. Maniar, GIL director, the year to March 1989 will be substantially better and a dividend will be recommended.

GIL has been facing tough times in the recent past. Maniar says that the power shortage at the Bangalore unit had a telling effect on the company's balance sheet. This unit had been operating at 40% capacity. However, that the power problem has since been resolved with the National Thermal Power Corp. coming to its rescue. The corporation has allotted a special quota and this unit's capacity utilisation now stands at 80%. GIL's Durgapur unit has been performing well.

GIL has got the government's nod

INDIAN ALUMINIUM COMPANY LIMITED

1 MIDDLETON STREET CALCUTTA - 700071

FORM IIA

NOTICE

It is hereby notified for the information of the public that INDIAN ALUMINIUM COMPANY LIMITED proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi, under sub-Section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act, 1969, for approval to the establishment of a new undertaking/unit/division. Brief particulars of the proposal are as under:

1. Name and address of the applicant

   INDIAN ALUMINIUM COMPANY LIMITED
   1, Middleton Street Calcutta-700071

2. Capital structure of the applicant organisation

	Equity (Rs.)	Preference (Rs.)
(a) Authorised Capital	79,60,00,000	40,00,000
(b) Issued, Subscribed and Paid-up	41,16,22,180	

3. Management structure of the applicant organisation indicating the names of the directors, including managing wholetime directors and manager, if any

   The Company is managed by a Board of Directors. Names of the Directors are:

   Field Marshal Sam Manekshaw — Chairman
   T. D. Sinha — Vice Chairman
   V. S. Sachdev — Managing Director
   C. W. Birkett
   G. Chidambar
   P. K. Choksey
   S. K. Dasgupta
   A. A. Hodgson
   R. K. Bhargava — Alternate for A. A. Hodgson
   A. L. Mudaliar
   P. K. Pal
   T. Mitra — Alternate for P. K. Pal
   H. T. Parekh
   B. R. Sule

4. Indicate whether the proposal relates to the establishment of a new undertaking or a new unit/division

   The proposal relates to the setting up of a new undertaking by the name Hirakud Power Company Limited, a company which has been incorporated under The Companies Act, 1956 for the generation of electricity.

5. Location of the new undertaking/unit/division

   Hirakud (Orissa)

6. Capital structure of the proposed undertaking

	Rs. in lakhs
Equity Shares	700
Redeemable Cumulative Preference Shares	100
Cumulative Convertible Preference Shares	100
Total :	900

7. In case the proposal relates to the production, storage, supply, distribution, marketing or control of any goods/articles, indicate:

(i) Names of goods/articles	Generation of electricity
(ii) Proposed capacity	67.5 MW
(iii) Estimated annual turnover	Rs. 44 crores

8. In case the proposal relates to the provision of any service, state the volume of activity in terms of usual measures such as value, income, turnover, etc.

   Not applicable

9. Cost of the project

   Rs. 144 crores

10. Scheme of finance, indicating the amounts to be raised from each source

	Rs. in lakhs
(a) Equity Capital	700
(b) Preference Capital	200
(c) Loans from Financial Institutions	8100
(d) Other Sources:	
(i) Unsecured loan from Indal	2400
(ii) Equipment on lease from Indal	3000
Total :	14400

Any person interested in the matter may make a representation in quadruplicate to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, New Delhi, within 14 days from the date of publication of this notice, intimating his views on the proposal and indicating the nature of his interest therein.

A. Sen
Vice President — Corporate Affairs and Secretary

Dated this 28th day of April, 1989.

for its plans to enhance the capacities of its two plants. While the capacity of the Bangalore unit will be hiked from 10,900 tonnes per annum (tpa) to 15,000 tpa, that of Durgapur will be raised from 5,400 tpa to 10,000 tpa. These expansions are to be executed by 1992 at a cost of Rs 10 crores.

UVIFORT METALLIZERS

MEETING PACKAGING NEEDS

In the wake of the rapidly growing food industry's demand for packaging, another outfit has jumped onto the bandwagon to cater to the needs. This time it's a Calcutta-based company, Uvifort Metallizers Ltd., floated by a group of NRIs. The group, led by Vimal Jhunjhunwala, who is to be chairman of Uvifort, is setting up a Rs 20-crore plant to manufacture printed, metallised and laminated plastic films and paper at Waluj in Maharashtra. Production has been initially slated at 1200 tonnes per annum. According to Jhunjhunwala, this is the first venture of its type to make flexible metallised packaging that has the barrier properties of foil. It will also be 10% cheaper than foil.

CROMPTON GREAVES

ENTERING NEW AREAS

Crompton Greaves Ltd., has got the go-ahead to manufacture television sets. Its fully-owned subsidiary, Hind Condensor Ltd., has set up a sophisticated TV plant at its electronics unit in Pithampur (Madhya Pradesh) with an annual capacity of 50,000 sets.

According to K.K. Nohria, managing director and president, the company will manufacture both black and white and colour TV sets of the 20-inch and mini-sized ranges. The product will be brandnamed Hometech.

There are more plans in the tube. As part of its expansion programme, a new unit in Bangalore for the production of rural automatic exchanges will be commissioned within a year. There are two more



NOHRIA HAS MANY NEW PROJECTS

projects: an associate company of Crompton, Northern Digital Exchanges, will manufacture facsimilie machines in collaboration with Oki of Japan. Another sister company, Goa Telematics, will produce data terminals and modems in collaboration with a US company called Ventel.

IPCL

EXPANDING CAPACITIES

The public sector Indian Petrochemicals Corporation Ltd. (IPCL) is reported to have got the governmental green signal for its various expansion proposals. The programme will cost about Rs 510 crores. Of this, Rs 250 crores will be spent on machinery imports.

IPCL is to raise its production capacities of ethylene (from 130,000 tonnes (t) to 300,000 t), propylene (from 81,300 t to 92,600 t), low density polyethylene (80,000 t to 240,000 t), ethylene oxide (5,000 t to 20,000 t), butadiene (22,000 t to 24,500 t), pyrolysis naphtha (63,900 t to 68,400 t) and mixed C4 (8,200 t to 49,900 t). The company has also been allowed to raise the capacity of its power station from 56 Mw to 84 Mw.

FLAKT INDIA

BONUS OFFERING

Flakt India, manufacturer of air pollution control equipment and industrial ventilators and air-conditioners, has come out with fairly good results for the year ended 1988-89. Turnover increased 11.5% over the previous year to Rs 42.95 crores. While gross profit rose by 20% to Rs 3 crores, net profit moved up 29.25% to Rs 1.90 crore. Dividend has been maintained at 20%. The board of directors has proposed a bonus in the ratio of 2 for 5.

20TH CENTURY LEASING

DISBURSEMENTS RISE

A leading leasing company, 20th Century Finance Corp. Ltd., has recorded excellent performance for the year ended 31 March 1989. Turnover increased 22.8% over the previous year's annualised figure of Rs 26.35 crores. Gross profit has risen 18.4% to Rs 19.69 crores. Pre-tax and post-tax profits stand at Rs 4.23 crores (26.9%) and Rs 3.55 crores (28.6%) respectively. The company has declared a 22% dividend.

Total disbursements during the year under lease and hire purchase have been Rs 34.54 crores as against Rs 20.04 crores the previous year.

KHODAY DISTILLERIES

IN GOOD SPIRITS

Khoday Distilleries has chalked up better results for the 18-month period ended December 1988. The company's turnover has soared to Rs 57.71 crores from Rs 20.32 crores in the previous 12-month period ended June 1987. While gross profit was Rs 12.60 crores (Rs 4.55 crores) and pre-tax profit Rs 10.62 crores (Rs 2.85 crores), net profit worked out to Rs 6.37 crores (Rs 1.85 crores). The directors of the company have maintained the dividend at 20% and they propose to issue bonus shares in the ratio of 1:2.

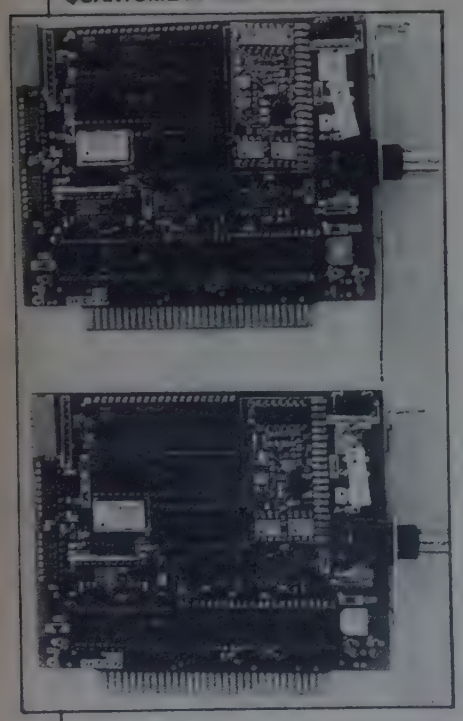
NEW PRODUCTS

■ **Creator** has developed a new type of earplug called Earseal. It is made from imported supersoft pliable rubber and has three concentric tapered flanges which make it safe and comfortable to wear. For details, contact: Creator, 4/27, Ismail Building, 381, D.N. Road, Fountain, Bombay-400001.

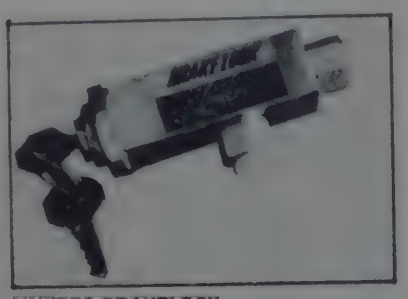
■ **DCW Home Products Ltd.**, an associate company of DCW Ltd., is launching a new washing powder under the brandname Jaag. To be launched initially in Maharashtra, a half kg pack will cost Rs 7.50.

■ **Blue Star Ltd.** has introduced QuantumLan, a complete, easy to instal local area network (Lan) for IBM PC AT/XT compatibles. Its design is based on Datapoint Corp.'s Arcnet (attached resource computing network) technology.

QUANTUMLAN ARCNET CARDS



■ **Linkers** has introduced a brakelock which immobilises a vehicle and makes even towing impossible. For details, contact: Linker, 1187/26, Ghole Road, Pune-411005.



LINKERS BRAKELOCK

NEW VENTURES

■ **Nedlloyd Lines** has promoted a new company, Faxion B.V. Fashion Operations, based at Amsterdam. The company's objective is to create a one-label European organisation which offers a sophisticated and comprehensive logistics service to manufacturers and retailers of fashion apparel. For details, contact: Addison Aranjo, Trident Shipping Agencies Pvt. Ltd., 53, Maker Chambers No.VI, 220 Nariman Point, Bombay-400021.

■ **Digital Devices Ltd.**, is setting up an electronic components complex in Solan, Himachal Pradesh, in collaboration with Mitsumi Electric Co. Ltd., Japan. The plant for the manufacture of electronic connectors will be commissioned in June 1989.

■ **Universal Telelinks Ltd.** has signed a memorandum of understanding with the State Agro Industrial Committee of the USSR to set up a citric acid plant in Maharashtra with an annual capacity of 5,000 tonnes.

AWARDED

■ **Larsen & Toubro**'s Kansbahal works has been conferred the 1987-88 Award of Excellence for outstanding performance in the field of energy conservation and management by the Confederation of Engineering Industry.

■ The Indian Chamber of Commerce has conferred its 1989 awards on **V. Kurien** and **M.S. Oberoi**. These awards are given to people in business who have made outstanding contributions in promoting the cause of national integration.

■ The **Delhi Management Association** (DMA), has pocketed the All India Management Association's (AIMA) award for the best local management association based on the criteria of professional development and training activities, publications, membership drive, etc. Shyam Dugal of the DMA received the trophy from the minister of state for home, P. Chidambaram

DUGAL (LEFT) RECEIVING THE AIMA AWARD



■ **Cochin Refineries Ltd.** has bagged the British Safety Council's safety award and the Federation of Indian Chambers of Commerce and Industry award for environmental protection.

HALF-YEARLY RESULTS

■ **Shri Ram Fibres Finance Ltd.** has performed well during the first six months ended 31 March 1989. Disbursements during the period were higher by 54% at Rs 11.7 crores compared to Rs 7.6 crores in the previous corresponding period. Gross income almost doubled to Rs 4.13 crores (Rs 2.10 crores), while gross profit was Rs 2.1 crores (Rs 1.02 crores).

NEW SERVICES

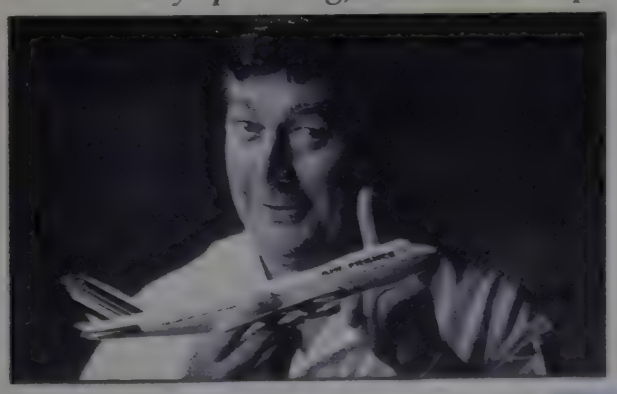
■ **American Express Travellers' Cheques** has launched an innovative service called the worldwide refund delivery. Now, customers of American Express TCs will receive refunds through courier service by just placing a telephone call.

THE FINE ART OF FLYING
by Bradley.



Joyride by Martin Bradley. In capturing the spirit of our nonstop flights to Bangkok, Tokyo, Rio and Los Angeles, the painting by British born Bradley, projects not only a sense of happiness, but also feelings of certitude and pride in his technique. And at Air France we have the same feelings every time you fly with us.

Technically speaking, I care nonstop.



THE FINE ART OF FLYING

AIR FRANCE

6, Scindia House, Janpath, New Delhi 110 001 Phone: 3312853

Maker Chamber VI, First Floor, 220, Nariman Point, Bombay-400 021 Phone: 2024818

graphisads/210



How Blue Star's collaboration with YORK, USA, for Air Conditioning and Refrigeration Equipment is spreading good cheer among our customers.



BLUE STAR
the hi-technology Company

Our tie-up with the world leaders, YORK, now extends to cover the manufacture of centrifugal liquid chillers, reciprocating liquid chillers, air handling units and cooling/ heating coils.

For well over a century, York has enjoyed pride of place as world leaders in the air conditioning and refrigeration industry.

York's innovative systems are at work at the Sydney Opera House, Jeddah International Airport, New York World Trade Centre, the Eiffel Tower Restaurant, the U.S. Navy Submarines...

Here in India, Blue Star has been the leading name in air conditioning and refrigeration for over 40 years. We have been manufacturing centrifugal liquid chillers, air handling units and cooling coils in technical collaboration with York.

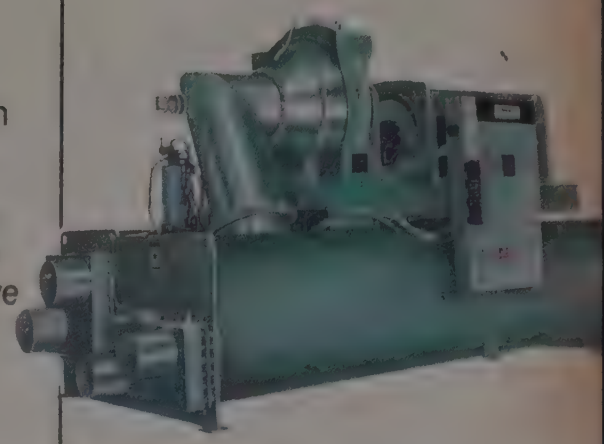
More recently, our collaboration with York has been further extended to cover the manufacture of semi-hermetic reciprocating liquid chillers – both water and air cooled up to 220 tons – a sophisticated and innovative product.

With this, our manufacturing capabilities are now more comprehensive than ever before.

Coupled with our outstanding engineering skills, our excellent reputation for cost-efficient project management and adherence to delivery schedules, the new manufacturing collaboration will help further consolidate our position of leadership in air conditioning and refrigeration.

Blue Star – YORK Products

Centrifugal Packaged Chillers
Reciprocating Liquid Chillers
Air Handling Units
Finned Coils



Blue Star-YORK the energy-saving centrifugal chiller.

BLUE STAR-YORK
AIR CONDITIONING • REFRIGERATION

The way we put it all together, is what sets us apart.

ENTER 3M

3M, one of the world's most innovative companies, is ready to take off in India

When Tom Peters and Bob Waterman went looking for excellence, one business address they could not overlook was at St Paul, Minnesota (US): the Ghq of the Minnesota Mining and Manufacturing Co., 3M for short. When Peter Drucker went hunting for insights into innovation and entrepreneurship, he discovered a goldmine of them at the same address. A couple of years back, Ashok Birla's search for a winning partnership found him knocking at the same door, along with a clutch of other Indian hopefuls.

To cut a long story short, Birla won. And 3M, a $ 10 billion (Rs 16,000 crores), *Fortune* 500 company (1988 rank: No 34), a product innovator par excellence and a corporate legend to boot, is here. The vehicle: Birla 3M, a joint venture between Ashok Birla, chairman of the Zenith group of companies, and 3M. Despite having only a minority interest (40%), it's 3M that will be in the driver's seat. That was 3M's precondition for tying up. But Birla isn't unhappy. "We felt that their management inputs should be more than just a run-of-the-mill kind," he says. It will be; Birla 3M already operates under the direct supervision of a British managing director, William Scrivens.

Perhaps typical of 3M's low-key approach to media exposure, Birla 3M has been in business for over a year now without making news. And when it did, it was of the wrong kind. Much to his discomfiture and that of 3M, Scrivens' name has featured in the media in connection with a Central Bureau of Investigation inquiry into some of the doings of Canara Bank's dynamic former chairman, B.Ratnakar. For a simple reason: Scrivens happens to tenant an imposing bungalow in Bangalore's posh residential district of Rajmahal Vilas Extension built by Ratnakar when he was the Canara Bank chairman.

While the prime focus of media reportage was on Ratnakar, one business magazine dragged 3M into the vortex by veiled talk of an "underhand deal" between 3M and Ratnakar, prompting Scrivens to issue a strongly worded rejoinder through the law firm of King & Patridge.

But such minor diversions apart, the Bangalore-headquartered Birla 3M has been methodically going about its job of establishing a manufacturing presence in a market that has so far identified 3M only with its products. Currently operating from a leased facility, Birla 3M is turning out telecom cable connectors, of both the modular and discrete types, for the department of telecommunications, the Mahanagar Telephone Nigam Ltd. and Hindustan Cables Ltd. Says Birla: "We have already started marketing assembled products, which have been well-received" (see interview).

The leased facility is, however, only a temporary arrangement. Taking shape at Keonics City on the Bangalore-Hosur Road is Birla 3M's own factory. Estimated to cost Rs 12 crores, the project is expected to be fully complete by October 1989. Standing on a seven-acre expanse, the factory will have a built up area of 40,000 sq ft. An additional five acres are being acquired alongside, probably keeping future requirements in mind.

Once the factory building is ready and the machinery in place, the connector operation will be shifted there. In addition, the company will manufacture all kinds of tapes — packaging, surgical, masking,insulation and disposable — respirators and dust masks, fabric and leather protecting chemicals, and the famous Post-it pads. All this will be in the first



SCRIVENS WANTS TO PLAY CATALYST

phase. 3M is, meanwhile, looking for land elsewhere in Karnataka — probably in Mysore — for putting up another factory for industrial products. The company has been licensed to produce 10 million sq.metres of tapes, 12 million connectors and 20 million soft masks.

According to Scrivens, left to itself 3M would have liked to establish a fully-owned subsidiary in India, but the government would have had none of that. Not that 3M has no joint venture operations elsewhere. It has such arrangements in Indonesia, South Korea, Japan and Nigeria. The Indian foray is the latest. In China, though, 3M has a fully owned subsidiary, set up in 1984.

UNFAVOURABLE ATTITUDE

3M zeroed in on Ashok Birla as its Indian partner after considering — and rejecting for various reasons — several other prospects, among them the Ranbaxy group and Carborundum Universal. Scrivens says that 3M had been debating setting up manufacturing facilities in India for many, many years, but the government's approach to foreign collaborations wasn't quite helpful. "It's only in the last three to four years that the Indian government's attitude to foreign collaborations has become more receptive," he says.

Why did 3M pick on Ashok Birla as partner? "Three main reasons," says Scrivens. "The Birlas are among the more respected business houses in India. Two, there was no conflict of business interests between 3M and (Ashok) Birla companies. And, three, Ashok Birla had no objection to 3M managing the joint venture company." Adds Ashok Birla: "We saw their rationale (for seeking manage-

"BIRLA 3M SHOULD BE A STAR PERFORMER"

Ashok Birla (50), the energetic chairman of Birla 3M, spoke to BusinessWorld *in an exclusive interview. Excerpts.*



■ On how he managed to attract 3M.

We worked on it for one-and-a-half years. And there were 35 contenders. But I think we made it for two reasons. One, there was greater flexibility in our approach, and two, we offered them something more than just a technology tieup.

When you have an organisation like 3M, with thousands of specialised products to offer, we felt that their management inputs in Birla 3M should be more than just a run-of-the-mill kind. It was their condition that they should have management control and we saw their rationale.

■ On 3M's commitment to the project, given that they will hold only 40% of the equity.

It's true that 3M never goes for minority stakes, but the Indian market cannot be ignored. It's huge. And once they were satisfied with what we offered them in terms of management control, they have accorded Birla 3M full subsidiary status (despite having only 40%). And in the future, Birla 3M will be the vehicle for all 3M projects (or products) in India.

■ On the status of the project.

The company has been formed and the building is (almost) ready. We have already begun marketing assembled products, which have been well received. We are starting off with two products: telecom connectors and tapes. More will be added in due course.

■ On whether the project has an export obligation.

No. But, we plan to explore export markets, especially in eastern Europe.

■ On the 3M company.

3M is not just a company. It is an industrial boutique. All its products are labelled, and sophisticated ones for the Indian market. We thus hope to benefit from the association.

■ On Birla-3M's financial structure.

We will have a large capital base (around Rs 8 crores) because we anticipate a high growth potential. Besides, 3M is conservative on borrowings. Since the gestation period is long and we don't want the financial institutions breathing down our necks, we decided on a large equity base. It also provides us a larger leverage potential.

■ On the future of Birla-3M.

Five years down the line, it could have a Rs 150 crore turnover. It should be one of our (group's) star performers.

3M: DRIVEN BY INNOVATION

Ideally, 3M should have been called 2M. For the Minnesota Mining & Manufacturing Co. has nothing to do with the middle M: mining. That part of the name came from what 3M's original promoters — a lawyer, a doctor, a meat-market manager and two railway executives — set out to do. 3M was set up to mine corundum, an abrasive used by sandpaper makers. Only, the mineral they thought was corundum turned out to be something else.

That should have been that, and 3M should have been carted away to the fourth M — the morgue. Happily, though, this failure proved to be the turning point. The motley group of initial investors exited and 3M had to live by its wits alone.

A SELECTION OF 3M'S PRODUCTS FOR BIRLA 3M



It offered just the ideal climate for inventors and innovators. People like Francis Okie, who developed a waterproof sandpaper in the first quarter of this century, or Arthur Fry, father of 3M's famous self-sticking Post-it note pads. Not surprisingly, nearly a third of 3M's $ 10.58 billion sales in 1988 came from products under five years old. And that's no mean achievement for a company with 60,000 products to offer. "3M is not just a company. It is an industrial boutique," observes an admiring Ashok Birla.

To generate new products, 3M lays great stress on promoting entrepreneurship and freedom in the workplace to pursue innovative ideas. Two credos typify 3M's approach: "Never kill an idea, just deflect it," goes one. The other, called the Eleventh Commandment, says: "Thou shalt not kill a new product idea."

Innovation master. According to *International BusinessWeek*, which recently called 3M a master at innovation, any 3M inventor who cannot sell an idea within his own division is free to sell it elsewhere within the company. If he finds a taker, both he and his potential product move in with the new sponsor. 3M-ers with new project ideas are also free to recruit marketing professionals from other parts of the company to work on the project. In other words, 3M does not believe that inventors should be stuck in research labs for the rest of their lives.

But once a new product has been successfully commercialised, the inventor is free to return to his lab. Development and commercialisation of many new products have equally been the outcome of paying close attention to customer needs. The pressure-sensitive adhesive tapes business for instance, began when a 3M researcher observed the need for a better masking product in paint shops. A billion-dollar health care business grew out of the need of surgeons for improved wound closure methods. The adhesives business developed when auto makers went looking for something other than tacks to attach trim with after metal replaced wood in auto-bodies.

New products, in fact, are the main engine of 3M's growth. In 1988, products introduced within the last five years generated more than $ 3 billion in sales. Fuelling this is the company's strong commitment to R&D. In 1988, 3M spent $689 million on R&D (6.5% of sales), nearly double the average for the 50 largest US industrial companies.

Phenomenal growth. Headquartered in St. Paul, Minnesota, 3M operates in 52 countries worldwide, with manufacturing facilities in 41 of them. For nearly 25 years since it was founded in 1902, 3M's only product was sandpaper and its market was basically the US. The invention of waterproof sandpaper by Okie (mentioned earlier), paved the way for 3M's exploration of overseas markets. European sales were first reported in the 1920s. In the thirties and forties, the company's international efforts became part of a joint venture with other abrasive manufacturers.

These two decades saw a flood of innovation and diversification within 3M as the company developed many new products — tapes, adhesives, reflective sign materials, speciality chemicals, electrical products and magnetic recording tapes, among them. When the joint venture for international operations was dissolved, 3M set up an international division (in 1951) incorporating certain operations in Brazil, Britain, Canada, France, Germany and Mexico. This marked the start of 3M's direct investment overseas.

Through technology and the careful use of resources, the company continued to expand and diversify into printing and photographic products, office systems, health care products, electronics and telecommunications. In the past 35 years, 3M has enjoyed phenomenal growth in the industrialised world, particularly in Europe, Canada, Japan and the US. Today, international operations account for 42% of 3M's sales; by 1992, this is likely to rise to 50%.

It goes without saying that the bottomline is supersolid. In 1988, 3M generated post-tax earnings of $ 1.16 billion, a return of nearly 11% on sales. 3M chairman and chief executive Allen F. Jacobson reckons that the business environment will be more challenging in 1989 than in the past few years because of a slowdown in the growth rate of the US and major overseas economies, slightly higher inflation and a stronger US dollar. "Despite this; we expect higher sales and earnings. Results will continue to benefit from several factors, including: a strong flow of new products, increased market penetration abroad, and successful efforts to reduce costs and increase productivity."

ment control).

In terms of equity interest, however, the partnership is equal. Of Birla 3M's equity base of Rs 7.40 crores, two Birla companies (Zenith Ltd. and Birla (Bombay) Pvt.Ltd.) hold 40% and 3M another 40%: the rest will be offered to the Indian public through a prospectus. The financial institutions will have no stake.

One reason for 3M's direct entry into India is, of course, the enormous market potential the country offers — next only to China, as Scrivens puts it. It is also a part of 3M's moves to step up international operations. By 1992, over 50% of 3M's sales is expected to come from activities outside the US.

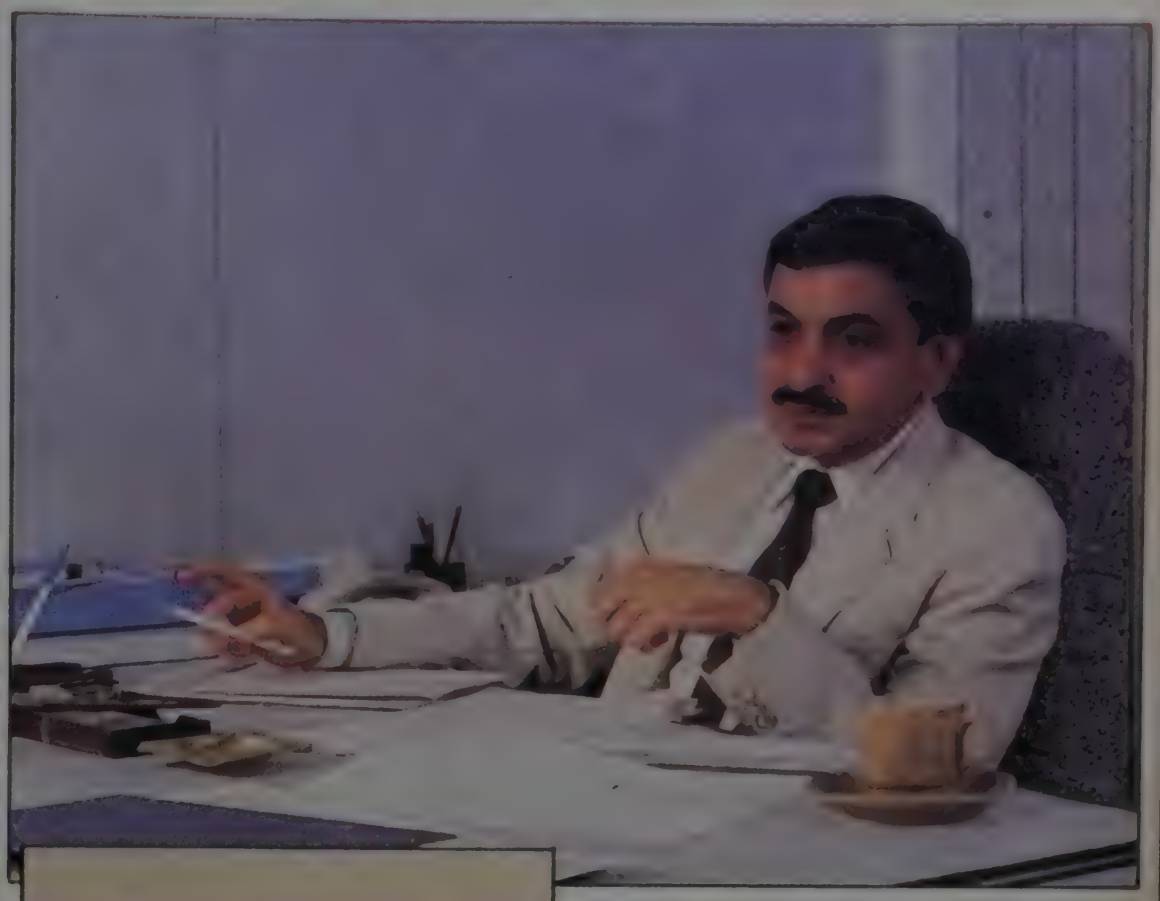
Scrivens sees his role essentially as that of a catalyst between the Indian management — he will be the only full-time foreign employee in Birla 3M — and 3M worldwide. His mandate is, first, to identify business opportunities in India, keeping in view 3M's wide product range (the company offers over 60,000 different products), and devise a business plan. Next, to build on it. "Using local management, knowledge and resources, we would like to develop a business strategy for the next 3-5 years." In line with 3M's policy, Scrivens will be serving in India for three to five years.

Scrivens, who has been with 3M for over 22 years, joined the company's UK subsidiary as a salesman. More recently, he has headed 3M's operations in Nigeria and Kenya. Apparently, his experience in these African countries aided his appointment as managing director of Birla 3M.

VENDOR DEVELOPMENT

Currently Birla 3M has an employee strength of 18, half of them (all from the management cadre) trained overseas by 3M. By the year-end, the number of employees is expected to rise to 60. According to Scrivens, Birla 3M would not like to "do everything itself, as seems to be the practice in Indian industry." Instead, the idea is to develop vendors who can assure supplies of quality components. "We will supply raw material in many cases and assist in supervising the processing," he says. Birla 3M expects to be served by 3-4 vendors by end-1989.

The company's general manager (marketing & business development), Ajay Nanavati, says attention will be paid to indigenisation. "We will indigenise as much as possible, wherever possible. If nothing else, commercial logic demands that we cut down on imports." According to him, the business areas identified for development in India are telecom, healthcare, export packaging, and power distribution (insulation tapes and joint and terminating systems for power cables). "The introduction of 3M products will be in tune with what the market requires. We would like to identify specific niches and fill them, and modify products to suit local conditions. Happily, 3M has allowed us flexibility to expand our activities. Given us total access," says Nanavati, who has played a significant role in establishing Birla 3M.



More than price what will, hopefully, give us a competitive edge is service

Ajay Nanavati

general manager (marketing & business development), Birla 3M

The company, of course, will not be lacking competition. For instance, in surgical tapes, it will have to contend with Johnson & Johnson and Ranbaxy; in other types of tapes, it faces a challenge from Bhor Industries, Sanghi Industries and Crompton Greaves, among others. Says Nanavati: "More than price what will, hopefully, give us the competitive edge is service."

Meanwhile, Birla 3M is in the process of enlarging its distribution network. Before it was formed, 3M was serving the Indian market through its Singapore operation. According to Nanavati, the company will have 30-35 distributors throughout the country, up two-fold from the present 18.

The company has targeted turnover at Rs 3 crores in the year ending October 1989, which will be the official accounting year in order to allow 3M to get the financial picture of the Indian outfit before it adds up the sums back home at St Paul. Scrivens is hopeful that turnover will touch Rs 30 crores in the next four years.

But that may be thinking small. Ashok Birla is looking at figures that could add up to five times that level, just one or two years further down the line. Says he: "Birla 3M should be one of our star performers."

Given 3M's reputation and commitment to the Indian venture, nobody thinks Birla is too off the mark.

■ *N. Raghavan*

EASY TO FILE
EASIER TO FIND



If you're tired of retrieving lost files and misplaced papers at work, it's time you got yourself a Godrej Filing System. It keeps your papers in order; so you can get at them immediately. Without wasting time and effort.

The Godrej Filing System is specially designed for your convenience. The fully enclosed drawers prevent your papers from falling out. A Godrej unique full extension slide ensures effortless movement of loaded drawers and easy access to the last file. And to keep your confidential papers safe, there's a special Godrej lock with a 'push and lock' action.

An automated airless electrostatic painting process and a special Alkyd-amino paint give it an attractive, scratch-resistant finish. And because of its superior quality, you can rest assured it will look good-as-new, for years.

You have a choice of two filing systems. **VISAFILE®** – with interconnected file folders to accommodate individual files. And **EEZEEFILE®** – for separate files which are suspended directly from the sides of the drawer.

You can have an organised office routine today. Boost efficiency by buying Godrej Instafiles and Filing Systems.

Godrej®

INSTAFILE AND FILING SYSTEMS.

File it. You are sure to find it.

ULKA-11717

DAWN OF VIDEO CONFERENCING



A new communication facility is now available for Indian business users through the Videsh Sanchar Nigam (VSN). It costs Rs 200 per minute and it enables individuals to hold group meetings across vast distances. It's called video conferencing. The technology is being made available to VSN through Deutsche Bundespost, the sophisticated West German postal service. During the recent CeBit 89 international information technology fair, VSN demonstrated its new service by connecting Bombay with Hanover. Participating enthusiastically in the link were Bombay-based companies Siemens, Peico, Buckau Wolf and Crompton Greaves. VSN's earth station, linked to Hanover through the International Telecommunication Satellite Organisation's communications satellite, is perched prominently on the terrace of the tall VSN tower in Bombay.

Despite a certain futuristic allure, the idea of conducting meetings via television screens has had a hard time catching on with businesses. Video conferencing has struck most potential users as too expensive, too complicated and too unnatural. But these objections are being whittled down and the next five years should bring in rapid growth.

CONVERGENCE

Several forces are now converging to make video conferencing more desirable. Travel is getting more and more expensive. It's not just the cost; companies are realising that lost executive time is critical, too.

Technologically, the most important factor pushing video conferencing into popularity is the ongoing revolution in video signal processing. New codecs (coders-decoders) compress the TV signal into a tiny fraction of its original bandwidth, drastically lowering transmission costs.

The colour TV signal generated by the video camera has a frequency range (bandwidth) of about 4 megahertz (Mhz). Digitising that signal yields a bit stream of about 90 megabits per second (Mbps). Transmission of such high-speed digital signals is an exorbitant proposition. One codec analyses the picture and encodes it with as few bits as possible; the codec at the other end reverses the process and produces a complete picture from the compressed code. Any compression introduces some distortion of the picture; a codec designer's goal is to maximise the compression ratio while minimising the perceptible degradation of the image.

Progress in video compression has been rapid. Only four years ago the best codes available squeezed the video signal into 6 Mbps. The first 3-Mbps codecs emerged in 1981. Currently, codecs operating at 750 kilobits per second (Kbps) and less are available. At the sacrifice of considerable picture quality, codecs are being developed that squeeze the data rate down to 56 Kbps — the standard digital rates of the dial-up switched telephone network. The advent of such a low-speed video codec — if it's reasonably priced — could ignite a video conferencing boom, putting a videophone on every desk.

There are two fundamentally different ways to compress a video signal: interframe coding, which transmits only the changes in the picture from frame to frame, and intraframe coding, which concentrates on coding high-detail areas of a picture at the expense of the less detailed areas.

Leading the way in interframe codecs is Nippon Electric Co. (NEC), the Japanese electronics giant. The NEC codec compares each pixel (picture element) in the current frame to the corresponding pixel in the preceding frame. If the two pixels' intensity and colour values differ by less than a threshold amount, the codec puts out a short "no-change" code. If the pixel change exceeds the threshold, the codec transmits only the change (minus the threshold).

Intraframe coding works best if the scene contains little detail other than the main subject. Bits wasted in encoding floral wall paper are not available to add resolution to important areas, like the speaker's face. The system is optimised for head-and-shoulders shots of one or perhaps two people at a time, rather than for more panoramic meeting scenes. The compression schemes that underlie the NEC codecs seem to have stalled at 1.5 Mbps.

The next generation of codecs will use more complex techniques. Every improvement in codec efficiency can be employed either to reduce the bandwidth at the same image quality, or to improve the picture quality at the same bandwidth. NEC has announced systems that it claims will double the efficiency of its 1.5 Mbps codecs.

There's, of course, more to video conferencing technology than codecs. Equipment for sending and viewing graphics is essential for a conferencing facility. Indeed,



VSN'S TRANSMISSION TOWER

Companies should find the Videsh Sanchar Nigam's video conferencing facility economical as it does away with travel costs and saves on executive time

the modest success of freeze-frame video conferencing comes almost entirely from users who want to confer about documents, blueprints, diagrams, etc.

A typical full-motion video conferencing room has separate cameras trained at a number of graphics devices, such as book-sized translucent panels built flush with the tabletop that can be backlit to display transparencies or frontlit to show opaque materials; rear-projection screens for slides; and white "blackboards". Most rooms also have a facsimile machine for rapid transmission of text and black-and-white line art.

There are two basic ways of handling graphics transmission: live and bursted. The live method continuously sends graphic images through the codec; if there's only one codec, the display of a graphic image precludes the display of people. The advantage is that the graphics can be written on, pointed at, or otherwise highlighted so that the remote meeting participants can view it in real time.

Bursted transmission treats graphics as a snapshot. Once the document is positioned under a camera, the push of a control-panel button interrupts the live video display (of people) for about half a second; this frees the transmission line long enough to feed through the one graphic frame. Full motion video then resumes, and the chart (or whatever) appears as a still frame on a separate monitor, at both conference rooms.

Usually, video conferencing graphics are captured by a normal-resolution camera for display on an ordinary monitor or projection system. This approach is fine for photographs and many diagrams, and it allows adequate display of perhaps a paragraph of printed text or half a page of typed text. But to show a full text page, or intricate graphics like blueprints, high-definition cameras and monitors become essential.

NEC offers a system with 1024 x 1024 pixel displays; it takes about five seconds to scan a document page before it can be displayed. The image data goes out over a data line separate from the one tying into the codec. Once transmitted, the image can be printed out on a facsimile machine, stored on magnetic disk or tape, or overlaid with an electronic pointer.

Why has video conferencing not become a conventional business tool? Cost is only one answer. A crucial obstacle may be people's prejudices about what should appear on a television screen. We are accustomed to seeing slick presentations by attractive, well-trained professionals. In comparison to this ideal, the average business executive looks like a bumbling fool.

One solution suggested by a recent study: since TV screens trigger counterproductive prejudices, do whatever's necessary to make sure the screens in video conferencing rooms do not look like TVs. That probably means enlarging the screen, as with projection systems. This will either enhance the medium's immediacy — or turn bumbling fools into big, bumbling fools.

In any case, this technique awaits improvements in compression schemes; blowing up the picture from today's codecs only magnifies the already-perceptible imperfections. In the long run, holographic screens might be the ticket to realism. Unfortunately, holography has a tradition of failing to live up to its more spectacular possibilities; large-screen holography almost surely won't come out this century.

Even if the technology were perfect, the question inevitably arises: is video conferencing cost-effective? That requires knowing the costs of both video conferencing and travel. Improved codecs will bring transmission costs down.

The hard part of the analysis is figuring out the true cost of business travel. The obvious expenses — transportation, lodging, and meals — are only part of the story. There's also lost executive time. If six Rs 4,00,000-per-year corporate executives each spend a day getting to and from a meeting, their lost time adds up to about Rs 10,000. Using this sort of analysis, most Indian companies will break even with video conferencing if it eliminates as little as 15% of executive travel. Also saved is the stiff cost of air travel. Just one Bombay to Frankfurt round trip costs over Rs 26,000 per head.

Video conferencing has less tangible benefits, too. One study has shown that the typical time lag between deciding that a business meeting between people in different cities is necessary, and the date the meeting is actually held, is two weeks. Video conferencing could cut this deleterious lag dramatically; it's a lot easier to get busy people together when they only have to walk down the hall instead of fly halfway round the world.

Video conferences can be more efficient than face-to-face meets as a meter ticking away at Rs 200 per minute will force executives to cut small talk and adhere tightly to a logical agenda

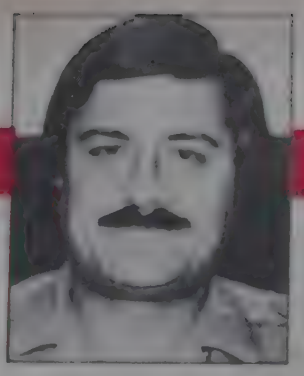
And there's some evidence that video conferences run more efficiently and productively than face-to-face meetings. A meter ticking away at Rs 200 per minute does wonders in encouraging meeting participants to behave as they should anyway: small talk withers away and the group adheres tightly to a logical agenda.

Indian companies are apparently quite keen to use VSN's video conferencing conduit, particularly since it is still too expensive (about Rs 20 lakhs) to have a complete system like the one from NEC installed as an in-house feature. But the situation may change in the near future as innovations like portable systems (now costing around Rs 5 lakhs in the US), otherwise dubbed as "mini-conference" systems, become widespread.

The one loser in all this could be Air-India (and other international airlines) whose business class revenues may be severely affected. But for the result-oriented corporation, the video conference is "the next best thing to being there," and perhaps VSN will receive a well-deserved ovation for showing the way.

■ *T.A. Balasubramanian*

The author is deputy manager (systems), HPCL, Bombay.



PRODUCTS & PROCESSES

SOLVENT VAPOUR DETECTORS

The presence of solvent vapours in the working atmospheres of sensitive industrial and clinical environments can now be detected instantly with a new low-cost alarm system. from Cavendish Applied Technology Ltd., UK. The "Droela" (Direct Reading Occupational Exposure Limit Alarm) and "Droela GC" units are said to cost 25% of the price of existing solvent-detection units.

Present methods of detection involve the analysis of samples absorbed into charcoal. If exposure limits are exceeded, this will not be revealed until after the event. In contrast, the new "Droela" unit gives an immediate warning and prints a record of the detected level, as well as the date and time. This allows manual or automatic corrective action to be taken immediately.

The unit is fitted with a photo-ionisation detector which is sensitive to a wide range of solvents, has a resolution of a fraction of a part per million and is used where the occupational exposure limit for the vapour is in the range of 50 parts per million (ppm) or more.

Below this level, down to one ppm, the "Droela GC" (gas chromatograph) system is recommended. This uses air as the carrier gas and can even be tuned to give a specific response to individual vapours like benzene. A multi-stream unit is also available that can accommodate up to 8 sample points.

PORTABLE MICROFICHE READER

Microphax Ltd., UK, has introduced the "Case" series of portable microfiche readers, jackets and aperture cards, which are suited for both travelling and office use. They feature a built-in, anti-reflective visor and storage space for the fiche.

The readers also incorporate a high-contrast non-glare screen and a centrally located focus control employing gears for fine tuning. In addition, there is an interchangeable alphanumeric scale index for fast access to any desired grid coordinate, plus a special screen lock for stability.

Featuring an auto-opening fiche carrier with a locking mechanism for safe transportation, the reader can be set up in seconds. A flick of a lever quickly changes magnification on units to which optional dual lenses are fitted. There is a choice of magnification — 20x, 24x, 42x and 48x. Each reader is housed in an ABS plastic case with a tough, rigid and dust-proof aluminium frame.

The "Case II" reader weighs only 6.4 kg and has a 280 mm square screen in a case measuring 410 mm x 380 mm x 140 mm, opening up to only 430 mm high. The "Case IV" has a slightly larger screen — 280 mm x 356 mm.

Finally, there is also a marine model in a splash-proof metal case. These readers should prove extremely useful to engineers and technicians at sites and to libraries and general offices for everyday use.

ELECTRONIC BANDAGES

Electronic bandages heal wounds 30% faster than ordinary dressings, claims their inventor, Richard Bentall of Biolectronics Corp.

By using radio waves to focus electrical energy on the wound, electronic bandages help stop swelling and recharge injured cells, which speed up the healing process. The "bandage" consists of an adhesive strip that contains a small antenna attached to a wristwatch-sized energy source.

Bentall expects the electronic bandages to be used initially to heal episiotomies, incisions made during childbirth. The device is, however, awaiting approval from the US Food and Drug Administration.

MUSICAL SLIDE RULE

An instrument resembling a mathematical slide rule, with musical instead of numerical scales, has been recently introduced by Cliff Electronic Components Ltd., UK. The "Music Key" is an aid in the learning, writing and performance of music.

"Music Key" makes it easy to transpose music from one key to another and allows the user to determine the notes of any major and harmonic or melodic minor keys. Instructions are printed on the centre slide of the rule.

One side of the rule is intended for the transposition of notes, scales, chords and chord symbols. It also shows the makeup of chords with the frequently encountered extensions up to the 13th. The other side makes it possible to determine the relative minor key from any major key and vice versa. Besides, it indicates the key signature with the number of sharp and flats, shows the notes of all major and minor scales, and distinguishes between the ascending and descending melodic minor scales.

TINY HEARING AID



THE STARKEY SECRET EAR

From Starkey Laboratories Inc. of the US comes the "Starkey Secret Ear" — a tiny new ear canal hearing aid. Sophisticated electronic circuitry maximises the ear's natural resonance for a cleaner, more audible sound.

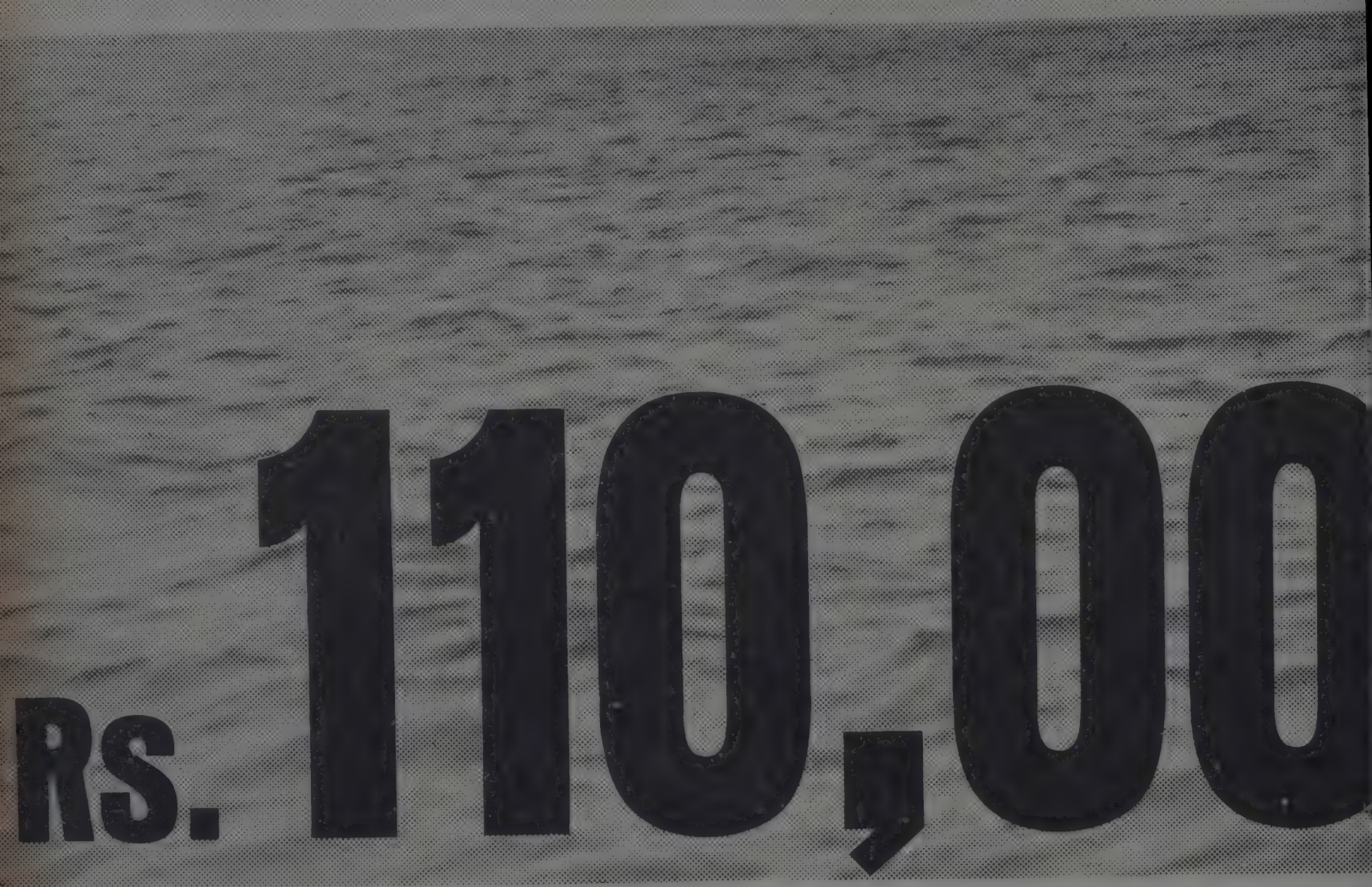
The canal hearing-aid revolution began when President Reagan wanted better hearing for himself without wearing a hearing aid that was obstructive and noticeable.

■ *Ranjit Hira*

The author is the chief executive of Indea Consultants, Bombay.

Enquiries should be addressed to:
Indea Consultants,
C/o BusinessWorld, 145, Atlanta,
209, Ceremonial Boulevard,
Nariman Point, Bombay 400 021.

'Oil' time high...



...worth order track.

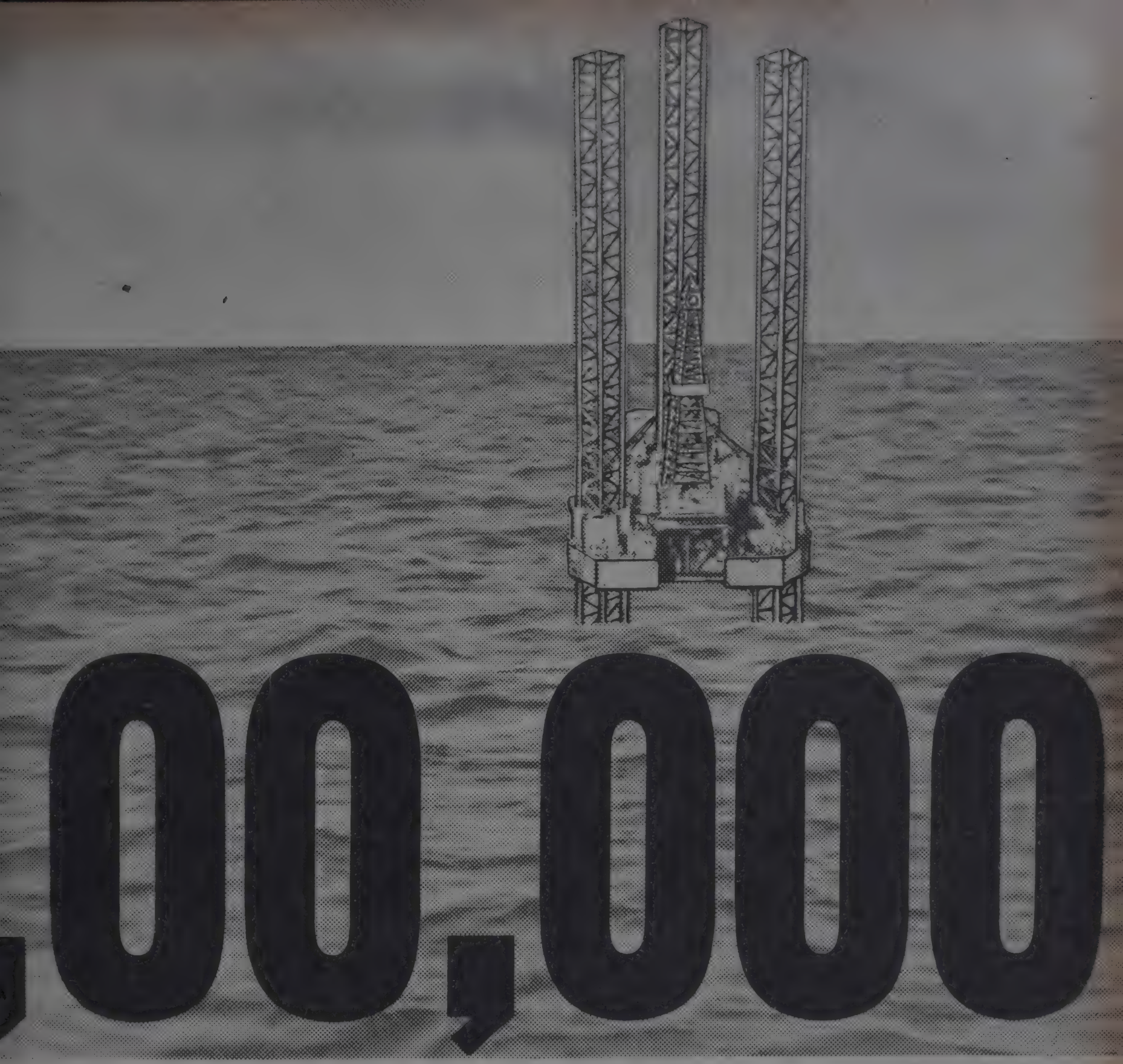
An Unmatched Record

Jagson International 'the exemplar nonpareil'. A giant that has created a high-profile today as the Number 1 indigenous offshore private oil drilling company. A company that has single - handedly taken Indian offshore industry to unprecedented heights.

Rig Riches

The first Indian company operating 3 offshore drilling rigs, Jagson International deserves to be the undisputed leader of offshore exploration in the country. Time and again Jagson International has competed with outstanding Indian and foreign contenders and emerged as the triumphant winner. Following the pristine ideology of 'nation above all', Jagson International has brought home a colossal order of more than Rs. 100 crores—a phenomenal success. The company also foresees a potential order worth several crores.

Imageads/D/1001



ice Surprise

uipped with most sophisticated technical know-how and ofessionalism Jagson International offers world quality rvice at realistic prices. That's what makes it the market ader today. This has also meant huge savings to the tune of . 64 crores to the nation. A contribution reflecting its sense national pride.

urning Efficiency

fshore exploration being a high-tech area, efficiency is a le rather than an exception. Here again, Jagson ternational has achieved technological triumph with a sistent code of 99.9% efficiency—an 'oil' time high.

ow with the focus of Government and ONGC - a harbringer nation's dynamic progress with unparalleled achievements shifting to the indigenisation of the offshore exploration dustry, the future is burning bright.

JAGSON

JAGSON
INTERNATIONAL LIMITED

IInd Floor, 6, Pearey Lal Building, Janpath,
New Delhi-110 001, Phone : 3324693
Telex : 031-63083 JNBR, 031-65917 MALN
Cable : Trade House

GALAXY

JETGLAS RADIAL TYRE

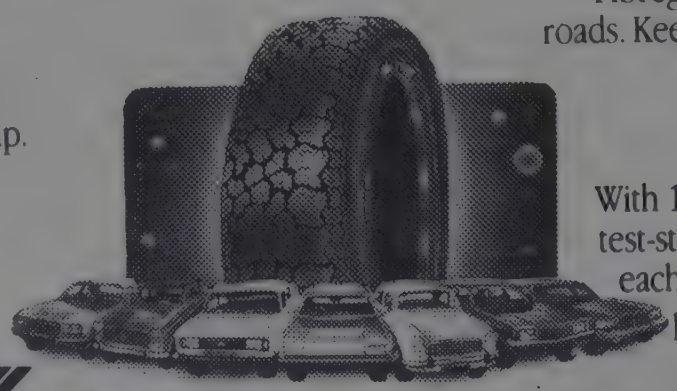


THE FOREMOST IN FIBREGLASS RADIALS

The super-tough radial engineered for extraordinary performance.

Extraordinary road grip.
The radial construction and unique tread design gives excellent road grip. Holding firm even on wet roads!

Extraordinary mileage.
Fibreglass belts eliminate tread shuffle, reduces heat build-up and tread wear.



Extraordinary comfort.
Fibreglass belts absorb shocks on bumpy roads. Keeping the suspension shock-free and the going smooth. Always.

From the country's first in radials – JK Tyre.
With 12 years experience and the highest test-standards for quality. X-ray screening each Galaxy Jetglas Radial for thorough performance. Before it reaches you.

JK TYRE

THE TRACKS OF THE FUTURE.

MEMBER J.K. ORGANISATION

everest/d89/JKI/82

OPPORTUNITIES GALORE

The banking and money markets are undergoing a metamorphosis. They have perhaps seen more changes in the past few months than in the decade earlier, thanks to the Reserve Bank of India's deregulating zeal. Among the key measures adopted recently are: withdrawal of the credit authorisation scheme, deregulation of interest rates on cash credit borrowings, removal of the ceiling on inter-bank call money, and the introduction of certificates of deposit and commercial paper in the Indian market.

All these are bound to make the money market livelier than hitherto. With the possibility of borrowing accounts being transferred from one bank to another relatively freely, this opens new vistas for Indian bankers to market their services, innovate, and add to profitability. Thus far rigid controls have had the net effect of discouraging precisely these efforts.

By commencing the practice of auctioning treasury bills some time back, the RBI has effectively thrown the short end of the government paper market open to competition. Interest rates on long-term government bonds, however, continue to be regulated, as do interest rates on bank deposits and many types of bank borrowings. By and large, therefore, the government securities market remains a sleepy one.

An efficient and somnolent market, of course, offers juicy pickings for those alert enough to take advantage of inefficiencies. Some of the foreign banks have certainly proved themselves adept at this with most of the nationalised banks preferring either not to actively manage their securities portfolios, or to manage them only from a very short-term perspective.

In the case of many banks, current yields remain the name of the game, with little consideration being given to concepts like yield to maturity, interest rate structure, spot and forward interest rates and so on. With the increasing deregulation of the money and banking markets, these banks will have to rapidly adapt themselves to a more lively and competitive environment if they are to protect their long-term profitability.

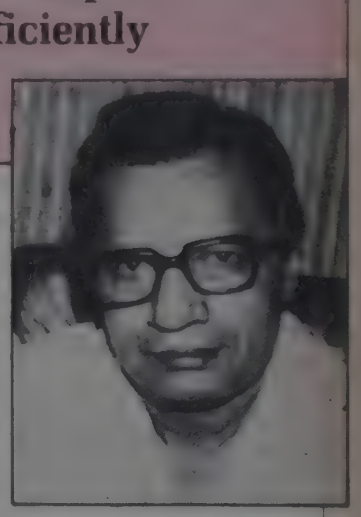
Even before the ceiling on inter-bank call money rates was removed, the money market scene last March was chaotic. If grapevine reports are to be believed, banks were buying funds at astronomical interest rates — 25%-30% per annum — through various strategems. The need to window-dress accounts apparently played a part in generating such a demand for funds during this period. One indication of the competition for grabbing funds was the fact that the premium between cash and spot exchange rates in the local forex market had shot up to 1.5-2 cents — in other words, an interest rate of 60% per annum, for two days! This was obviously occasioned by the anxiety of banks to sell foreign currency balances in exchange for rupee funds in the cash market and then buy them back for spot maturity.

Turning back to the interest rate structure in government securities, for several years now there have been only three slabs, with maturity differences of five years and interest differentials of 0.5%. Even if the total deregulation of interest rates on government paper cannot be considered right now, there is no reason why greater flexibility cannot be introduced at least in the new issues.

As of now, the government paper market hardly comes anywhere near the overall sophistication of Indian banking. It is odd that even some of the major Indian banks which talk of swaps in the international markets still stick to current yields when managing their government securities portfolio.

The RBI, for its part, is obviously keen on developing the domestic money market, and the removal of the ceiling on inter-bank money and the introduction of CDs and CPs are steps in this direction. It has for long been trying to popularise the bill culture and to develop a secondary market for trade bills. A couple of banks are trying to make markets in public sector bonds — the pricing is based on yields to maturity subject, of course, to differences between the bid and asked rates.

The money market is in for lively times. It is up to the banks to develop it efficiently



On the other hand, the core of any money and capital market is trading in government paper. Unfortunately, this remains relatively underdeveloped with decision-making based on crude methods.

Simpler, and therefore inaccurate, yield calculations were probably excusable in an earlier era. The first bond yield tables in India have been published only recently by the Credit Rating Information and Services India Ltd. (Crisil) and the Industrial Development Bank of India (IDBI). The easy availability of relatively cheap microcomputers now permits accurate calculations to be made, and that too quickly. What is needed is knowledge of high school algebra and, of course, its application to bond trading.

Criticism of bankers' backwardness does not mean that the private investor is any more sophisticated. Consider the secondary market prices of private sector bonds and the differences in yields to maturity, and this is more than obvious.

As of today, all the instruments necessary for the development of an efficient money market are in place — from treasury bills, commercial paper and trade bills at the short end of the market, to private, public sector and government bonds at the long end. It is the responsibility now of commercial and merchant banks to create a developed and efficient market — not just for their own profitability but, equally, to bring the communities' savings into the organised sector of the markets by offering attractive returns and liquidity.

■ *A.V. Rajwade*

The author is a Bombay-based financial consultant

CANARA BANK'S FACTORING VENTURE



PRABHU SIGNS A NEW DEAL

Canara Bank has signed a memorandum of understanding with Rashtriya Chemicals & Fertilisers to launch a joint venture for factoring. According to N.D. Prabhu, chairman of the bank, the venture would be operational as soon as the approvals are secured.

Also Canbank Financial Services (Canfina) has declared its results for the year ended March 1989. Canfina chalked up a total income of Rs 29.76 crores with pre-tax profit amounting to Rs 15.20 crores and net profit being Rs 12.70 crores. Canfina has proposed a dividend of 18%. It also plans to set up a sharebroking division in Calcutta and Delhi.

ADB LOAN FOR PORT DEVELOPMENT

The Asian Development Bank (ADB) has dangled a credit tranche of $137 million to develop Indian ports.

There are, however, strings attached to this line of credit. For instance, the ports seeking credit should be able to finance 20% of the project cost themselves. The transport ministry has agreed to all these conditions.

The port projects are estimated to cost $256 million. But they have to be proposed to the ADB for approval. These projects include the modernisation of the Bombay port and computerisation of the management information system, upgradation of the ship repairing facilities at all ports, construction of a second coal jetty at Tuticorin and conversion of the Kakinada port (in Andhra Pradesh) into a deep sea port.

NEW SAVINGS PLAN DETAILED

The Union finance minister S.B.. Chavan recently released details of the schemes announced during the budget presentation in February. Under the equity-linked savings scheme, investments upto Rs 10,000 will be tax-free. Further, dividend on equity will be eligible for deduction under s.80L of the Income Tax Act. The scheme will operate through closed-end funds set up by the Unit Trust of India or other mutual funds.

The proceeds collected from the funds will be invested in equities of old and new companies. According to the scheme, withdrawals will be permitted after a three-year lock-in period at a price based on the net asset value of the fund.

The finance minister also announced that sportspersons and artistes would be allowed duty-free import of quality equipment and material.

Under the excise relief scheme for weak units, interest-free loans will be given to eligible units. The loan which will have a three-year moratorium is repayable in seven years.

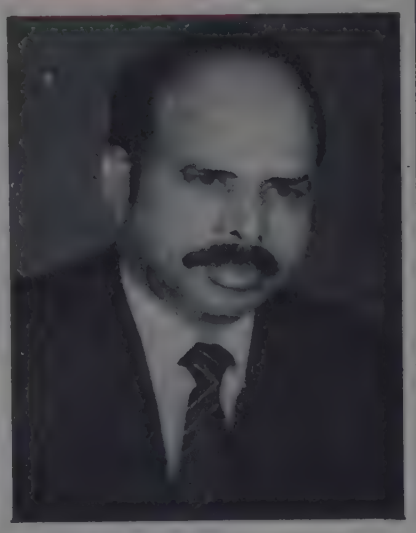
LINE OF CREDIT TO EXIM BANK

The Exim Bank of India has received a $10 million credit from the Export-Import Bank of the US. This is the first line of credit for Exim Bank from the US bank.

This will help the Indian bank to lend funds to Indian companies which export to the US, to enable them to buy industrial goods and services from the US.

The interest rate on the credit line has been fixed at 8.3% per annum. The tenure of the loan will not exceed five years. For individual credits, the tenure will depend on the nature of the items imported from the US.

UBI'S NEW SUBSIDIARY



SHETTY DOES A FIRST

For the first time in banking history a public sector bank will join hands with a foreign merchant bank and a private business house to float a subsidiary. To be called UBICap, the subsidiary will be set up by the United Bank of India. The other partners are not known. It is believed that some German and American banks have evinced keen interest.

The subsidiary will have a paid-up capital of Rs 10 crores of which UBI will hold 51%. UBICap's activities will include merchant banking, leasing, floating mutual funds, venture capital, portfolio management and factoring. Though the subsidiary will be headquartered in Calcutta, it will be mainly functioning from Bombay. UBICap's emphasis will be on the quality of services and for this it will depend on the technical expertise of the foreign banks.

At a recently held seminar on leasing and mutual funds, UBI chairman and managing director J.V. Shetty said that if more household savings are diverted to mutual funds, corporate capital could go up from Rs 5,000 crores at present to Rs 12,000 crores.

CCS FOR SERVICES EXPORTS

The Centre has given a shot in the arm to services exports. It has announced a 10% cash compensatory support for the services component of turnkey or package projects exports.

The scheme is meant for turnkey projects which involve services like design, civil construction, creation and commissioning of a plant; engineering contracts involving supply of only services; consultancy; operation and maintenance; and computer and software services.

Export of these items made on or after 1 April 1989 will receive support and the scheme is valid till 31 March 1992.

ITC: FROM VOLUMES TO VALUE

It is fashionable to view ITC Ltd. as an underperforming and beleaguered giant. With the damocles sword of whopping excise claims still dangling over its head, with the tax axe constantly bruising the cigarette market and shrinking it, and with a parent organisation whose relationship with ITC seemed decidedly distant, that fashionable view had some basis in reality.

Till recently. But the smoke signals emerging from Virginia House, the corporate hub in Calcutta, look decidedly cheery. Consider:

- The mainline business of cigarettes has become more profitable than ever despite a shrinking market. The reason: the company has gone upmarket and prospered. Says chairman J.N. Sapru: "I have been very clear that there is little point in our chasing the mirage of volume." Even in hotels, the moves are definitely upmarket. The bottomline bears this out (see results, page 64).
- Once upon a time, ITC was just ITC. Today it is the flagship of the third largest multinational group in India (after Unilever and ICI India) with three other major companies in its fold: VST Industries (formerly Vazir Sultan Tobacco), Bhadrachalam Paperboards Ltd. (BPL) and Tribeni Tissues. The aggregate gross group turnover is in excess of Rs 1,500 crores.
- With Sapru as *de facto* group head, broader synergies are being tapped. One indicator was BAT's (formerly British American Tobacco) decision to retain speciality paper-maker Tribeni Tissues within the group last year after earlier deciding to flog it off. The reason: together BPL and Tribeni offered good scope for integrated operations. At another level, it is apparent that ITC is providing the basic management pool from which the smaller companies can draw top-level executive talent.
- With the hotels diversification now a stabilised operation, ITC is fashioning a major thrust into agribusiness, mainly edible oils and seeds. The turnover targets are in the range of Rs 65-70 crores for 1989-90. On the anvil is another Rs 60 crore edible oils project in Uttar Pradesh.

The payoff is already at hand. Around mid-May, all the BAT group companies in India reported record profits and announced bonus issues, with ITC playing the stellar role.

Predictably, the stockmarkets are already whooping it up. Anticipating the upswing in ITC's fortunes, marketmen have pushed up share prices to twice the ruling levels in the earlier part of this year, and they have not looked back since.

EXCISE CLAIMS

The chief reason why the ITC share has been a laggard in the past is the Rs 804 crore overhang of excise claims involving the company. The matter has not been settled, and is unlikely to head towards settlement too soon. The excise department's contention is that ITC deliberately cut retail margins to reduce the prices printed on cigarette packs, and hence excise payments. The retailers apparently made up for the loss by charging prices higher than what was indicated on the packs. But even without prejudging the maintainability of the excise claims, one thing is patently clear: the *size* of the demand itself, which is twice as big as the company's net annual turnover, discounts its credibility.

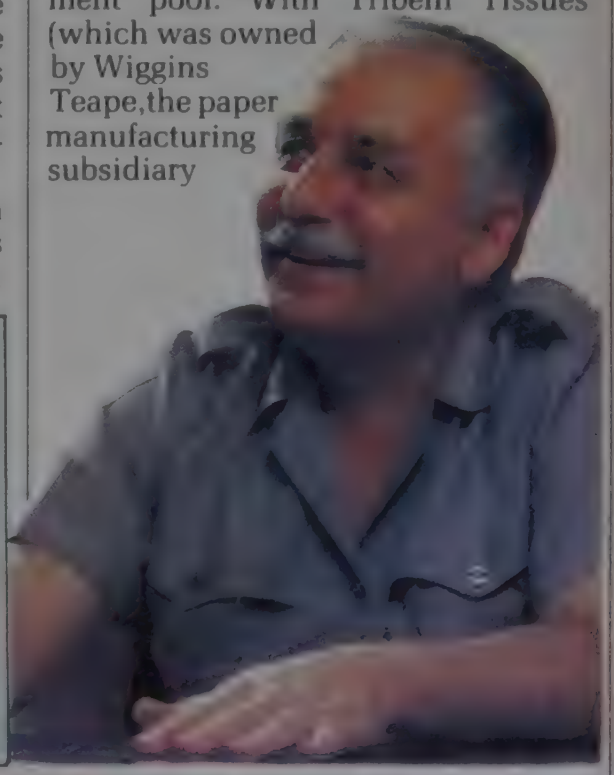
Whichever way the excise problem is excised, it is now certain that ITC is not unduly exercised about it. And the proof of this lies in the systematic manner in which ITC and other BAT group companies have been batting of late. The key buzzwords in the group today are financial success and consolidation — and the words have been translated into results. All the core areas — cigarettes, hotels and paper — are doing extremely well, and not just by fluke. Partly as a consequence of the strategic decisions taken in respect of each of the core business areas — the key element of which was the one to forsake volumes for value — the company has been able to take the best advantage of improved market conditions and higher consumer purchasing power in the economy after last year's good monsoons. The bottomline holds the proof.

Another strand of the strategy which has become obvious over the last couple of years at ITC and its sister companies is the emergence of the "group" concept, and a desire to make the most of the synergies within. Bhadrachalam Paperboards Ltd. (BPL) was, of course, an ITC-promoted company, and while the financial involvement was limited to the initial promoters' stake, BPL has always drawn from the ITC management pool. With Tribeni Tissues (which was owned by Wiggins Teape, the paper manufacturing subsidiary

I have been very clear that there is little point in our chasing the mirage of volume

J.N. Sapru

chairman, ITC





NARAYAN HAS BEEN PUSHING HIGHER VALUE QUALITY CIGARETTES

of BAT, and run in India as a completely independent outfit) now coming under ITC's wing, the message is unambiguous: BAT's associates in India will work more in tandem than ever before.

A corollary: as the star BATsman in the group, ITC will guide the group's fortunes and provide the leadership. The group's performance in the recent past indicates that all this is bearing fruit. In the seventh year of Sapru's tenure at ITC, the company is not merely doing better than ever before in its tobacco operations, but has also made a clear success of its diversification into hotels and paper (for which ITC's redoubtable former chairman Ajit Haksar had laid the foundations).

Further, over the last year-and-a-half, ITC has made a foray into the oilseeds and edible oils business, which holds out a great promise for the future. And when the excise matter finally clears up, the company may revive its plan to spin off hotels into a separate associate company, realise some of the capital gains which could accrue from that operation, and set the pace for further aggressive growth. Financial services is another possible expansion area, with Classic Financial Services, promoted by ITC in 1986, faring very well so far.

SNOWBALLING TREND

ITC's mainstay business, cigarettes, had actually begun perking up as early as in 1984, though the last two years have seen a snowballing of this trend. This could be ascribed to two factors which are external to the company: first, a change in the excise regimen, where tax is now linked to cigarette length; and second, a change in the market, where the consumer seems to be willing to pay a little more for quality.

ITC's cigarette division executive director, J. Narayan, says that the company has invested large sums of money in the cigarette manufacturing processes, which have enabled it to improve and maintain quality. Some Rs 100 crores have been invested over the last seven years in tobacco processing machines (which have contributed to quality) and in the next three or four years, a like sum will be spent for the cigarette rolling end, which should improve the speed of manufacture. "I can state with confidence that the tobacco part of ITC's factories today compares with the best in the world, and the cigarette manufacturing part will soon catch up," says Narayan.

While manufacturing processes have been upgraded, the new excise structure today allows improved quality to be passed on to the consumer without the cascading effect of taxes, since duties are not *ad valorem* but fixed according to the length of cigarettes. Further, perceiving a change in the market, ITC has consciously moved away from cheaper brands, which were volume-oriented, to the higher-priced segment, where the margins for the company are much better.

The key buzzwords in the ITC group today are financial success and consolidation — and they have been translated into results

Overall, the Indian cigarette market has shrunk from around 96,000 million sticks per annum in 1983 to about 84,000 million in 1988, but this has had little to do with the health scare. Per capita consumption in India has always been very low, and with millions of tobacco users being added to the market every year, cigarette companies need not really worry themselves sick over whether they will face a shrinkage in the number of consumers. The key to shrinkage in the past actually lay in the price; since *bidis* and chewing tobacco are much cheaper, the decision whether to buy cigarettes or not is overwhelmingly an economic one for the consumer rather than one related to health consequences. Only 23% of tobacco usage in India is for cigarette manufacture, the balance being accounted for by *bidis* and *hookah* paste.

A conscious decision by Narayan and his marketing team has been to push for higher-value, "quality" cigarettes. Thus, Wills, Gold Flake, Classic, Capstan and other more expensive brands today account for perhaps over 50% of total manufacture; and while Scissors still remains the highest selling Indian brand (1,050 million per month), the "quality" cigarettes are fast catching up. Wills sells about 750 million currently, and Gold Flake 450 million. The consumer's ability to pay a little extra for quality has been taken full advantage of, while lower end products like Red Lamp, Tiger or Now have all been phased out.

Whilst ITC's tobacco business has seen a sharp upturn in profitability, VST, the "Charminar company" in Hyderabad, has little to complain of either. Both ITC and VST have had the great advantage of possessing long-established brands, and VST's Charminar continues to be a hot seller among plain cigarettes; at a volume of 650 million a month, it remains second only to Scissors. The balance 500 million of VST's monthly output is accounted for by the Charms family of filter cigarettes (including Charms Mini Kings and Charms Virginia Filter). The company's range has so far

been confined to the lower-value end of the market, but the bottomline has been buoyant enough, as the latest results show.

In the eighties, VST's great success was the launch of Charms, the only brand which has succeeded in the last decade. Ravi Bhoothalingam, VST's managing director, points to further opportunities for the company if the regimen of lower excise on plain cigarettes under 60 mm size remains. "The *bidi* sector is 12 times the size of cigarettes in terms of volume," he says. "If, with cheaper plain cigarettes, we see even a 1% shift away from *bidis*, that will mean very significant incremental cigarette production."

Bhoothalingam's mission is obviously to retain for VST its 16% share of the total Indian market, and if possible, to grow. Towards this end, VST is modernising its manufacturing operations, and has spent some Rs 6 crores last year in upgrading the tobacco processing part of its Hyderabad factory. This year, another Rs 8 crores is targeted as capital expenditure. To balance the portfolio, a diversification into food processing is being considered.

DIVERSIFICATION

While the cigarette business continues to prosper, ITC's diversification into paper is today coming into its own. Bhadrachalam Paperboards Ltd. (BPL), where K.L. Chugh has long been the guiding spirit, has traditionally seen very high capacity utilisation, but a combination of adverse factors (including the non-availability of fiscal concessions earlier promised) has depressed profitability. Today, the era of low profits is a thing of the past, and the 18-month figures for the period ended 31 March 1989 show that the company has fully reaped the rewards of the committed approach of the professionals at its helm.

"When BPL was started, ITC was primarily a marketing-oriented company, while the new project involved technology," says Chugh. "Therefore, there were some qualms. Nevertheless, at BPL we converted our 'not knowing' into a strength. The accent was on looking at every problem with fresh eyes, and trying to be as completely scientific and professional as possible in technical matters."

BPL's most significant achievement under Chugh and his team has been in pioneering product development. Currently, the base board for tetrapaks is made exclusively by BPL in this country. Again, the company has been the first to make duplex board for safety matches, and today accounts for about 50% of the production for this market segment.

Concurrently with product development, production tonnages have increased, and the company has invested large sums (upwards of Rs 25 crores in 1986 and 1987) in capital investment. This has been reflected in a doubling of production over the last two years, and the upswing is expected to be maintained. In 1989-90, the target is 82,000 tonnes, against 88,000 tonnes for the 18 months up to March 1989.

The ITC team is all set to demonstrate a success equal to BPL at Tribeni Tissues as well. Tribeni, which had over 60% of its production geared towards the manufacture of cigarette tissue, faced a demand crunch with the steady shrinkage in cigarette production volumes in India. After Chugh assumed chairmanship of the company in 1988, there has been an emphasis on product diversification, with increased tonnages being planned in plain copier paper, MICR cheque paper, insulator grade paper, and other speciality products. An effort has been made to improve marketing, taking advantage of BPL's established distribution channels.

Concurrently, there is an emphasis on productivity. A Rs 20 crore investment programme is to be spread over two years, of which half will be towards energy conservation, and the other half in technological modernisation. "We are currently working at 17,000 to 18,000 tonnes per annum (tpa) capacity, but the prescribed minimum economic scale in the paper industry today is 33,000 tpa," says R.P. Agrawal, Tribeni's managing director. "We would like to reach this level within the foreseeable future."

The ITC group, however, still has a gap to plug. While BPL is at the heavier end of the paper industry, and Tribeni is at the speciality end, ITC does not have a presence in between. That is where, perhaps, ITC's proposal for a 300,000 tpa pulp and paper project figures. Chugh, who is giving up executive charge at BPL, is expected to oversee the new project once government clearances are received. He will coordinate the ITC interests in paper.



DEVESHWAR OPTS FOR A CONCENTRATION STRATEGY IN HOTELS

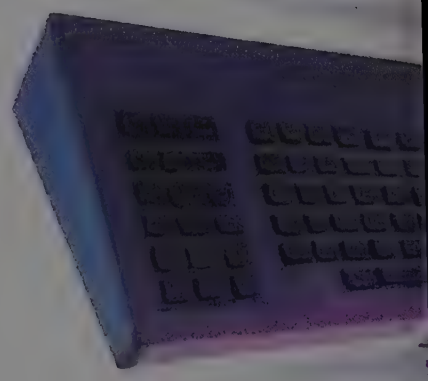
NEW PROJECT

The giant new Rs 300 crore project, when promoted, is expected to be under the aegis of ITC itself. This is in marked contrast to 10 years ago, when the Rs 50 crore BPL investment was promoted under a separate corporate identity simply because ITC's bottomline at that stage could not withstand the interest and depreciation burden and the gestation drag. Today, with profits in good shape, ITC is quite sanguine about undertaking such giant investments.

If paper has been a profitable diversification for ITC, the hotels division

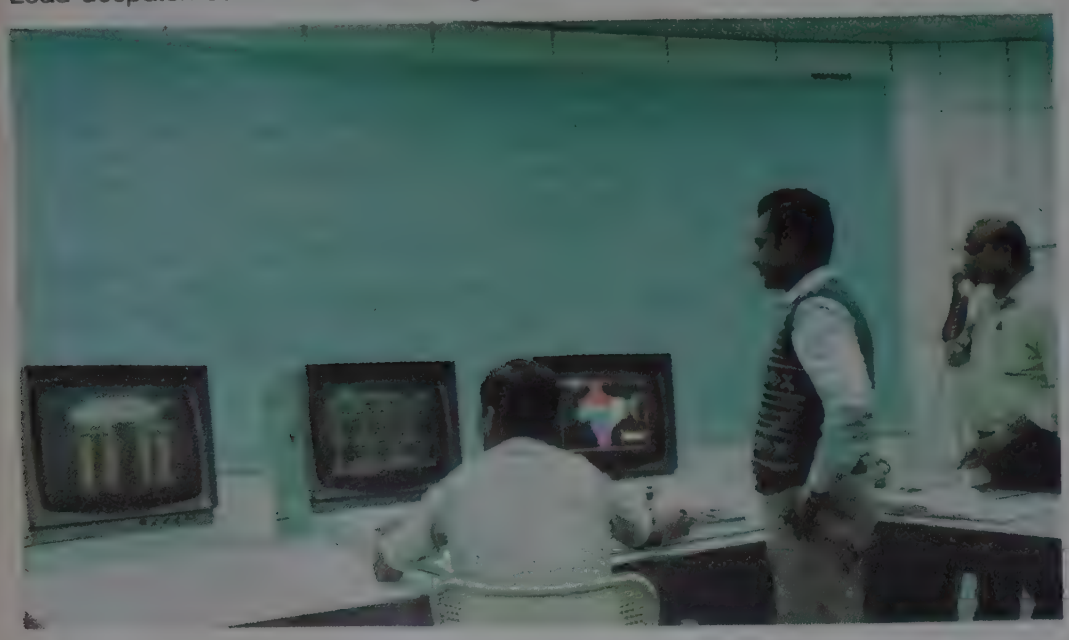
SIEMENS

The Power Broker



Siemens Network Automation System is enlightened technology. An advanced load despatch system, it processes vital information on power generation and transmission. With its pulse on the pattern of power consumption across a region, it acts as a 'power broker' ensuring equitable distribution and optimum use of generated power. Helping people come from darkness into light is just one example of how Siemens harnesses technology for the well-being of man.

Load despatch centre for Eastern Region.



High technology with a human face. Whether it is control and automation systems or railway signalling equipment, medical electronics, switchgear, switchboards, drives, motors or new dimensions in telecommunications, Siemens focusses technology on human problems, human needs. Its close association with Siemens AG, W. Germany, helps keep Siemens in India in the frontline of international technology. With 120 years of experience in the country, Siemens is committed to India's progress and shares its hopes for the future.

As technology changes the face of the future, Siemens will be one of the foremost companies helping India keep pace with the world.



Siemens Ltd.,
P.O. Box 6597,
Bombay 400 018.

Siemens. Where international technology meets human needs.

LINTAS SM 157 2639



"BAT WOULD LIKE TO BE KEPT IN THE PICTURE"

On the eve of the announcement of record profits by ITC, chairman Jagdish Narain Sapru (55), spoke at length to BusinessWorld *about the company's consolidation, diversification thrusts, the excise controversy, the role of its overseas shareholder (BAT), and his role as chairman for the last seven years. Excerpts:*

■ On the change in strategies in his years at the helm.

I have been very clear that there is little point in our chasing the mirage of volume. The lower-priced end, whether in the cigarettes or the hotels business, is a drag on profits. In the commercial world, only profits matter. In cigarettes, the changed market and the shift towards quality has helped us. Again, in hotels, when the Welcomgroup chain was started, it made good marketing sense to say "largest chain," and we may have taken on properties which were not the best.

Today, the policy is to remain leaders — and in business, you don't achieve this objective by being emotional.

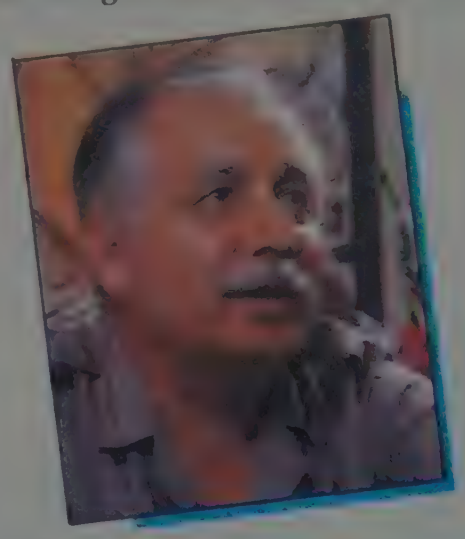
■ On the proposed 3 lakh tpa paper and pulp project, and Tribeni Tissues' induction into the group.

The achievements of Bhadrachalam Paperboards Ltd. (BPL) are there for all to see. Paper manufacturing is today an area of strength for the company, and with an impending paper famine in the country, we are better placed than many others to successfully see through a giant project. Ours was the only entry by a professional company into paper manufacturing in the last many years, and our achievements hold promise.

The takeover of Tribeni's management by ITC was a sensible move. The only reason that this had not happened earlier was that Wiggins Teape (which owns 51% of Tribeni equity) was a separate arm of BAT (formerly British American Tobacco), while ITC came under BAT's tobacco division. And the overseas shareholders had no direct knowledge of BPL, which was locally controlled. When BAT finally fully grasped ITC's success in the paper diversification, selling Tribeni for £6-7 million did not make sense. The integration of BPL and Tribeni's operations seemed a far better strategy.

■ On ITC's agribusiness diversification.

This way, we can make use of the company's proven strengths. We have been doing extension work for one lakh tobacco farmers in Andhra Pradesh and Karnataka. And this also ties in with the government's oilseeds mission thrust. Further, the branding and marketing of refined oils should be something ITC's marketing team should do well.



■ On the excise controversy.

I have stated before that ITC has never knowingly violated any law. And it is increasingly appreciated in government circles today that there could be genuine differences in legal interpretation. I hope that in time the controversy should see resolution.

■ On the perception that BAT is getting "closer" to ITC than before.

BAT is a major shareholder in our company with a 32% stake — and of the balance, 37% is with the financial institutions, and 31% with the Indian public. While we are not "controlled" by any of these bodies, and our say as professional managers is greater, our sense of responsibility must also be commensurate with this freedom so that each of these stakeholders' interests is guarded. BAT would like to be consulted, to be kept in the picture, and — if possible — to participate. I must take into account their point of view — especially because so much flexibility is given to us. And it allows us a firm anchorage overseas — which can help us in getting technologies, in getting export markets. There is mutual benefit in cooperation.

Today, there are virtually only three large foreign groups left in India — Levers, ICI and ITC. Each of us have benefited from our international connections and have also contributed to the national economy. But the growth directions of the three are in marked contrast. While Lever and ICI are subsidiaries, we are a BAT associate company. We, therefore, have different freedoms and different responsibilities.

■ On his style of management.

I have believed in decentralisation — each of the company's major business divisions is autonomous. However, strategic decisions must be taken at the corporate level by the board of directors, which must have the final say. I like to listen to people, and to allow them, as far as possible, to chart their own course. That way, it builds commitment, and decisions get acted upon better. But it does not mean that in the end one can afford to be easy on failure.

Today, businesses are getting complex. A person at the helm of a multidivisional company must have the humility to learn, to understand and gain from others. An important part of his task would be to allow others to build up their own stock of experience. And finally, to leave behind a stronger team and systems which would work well for the next incumbent.



THE BHADRACHALAM PAPERBOARDS FACTORY

has been no less successful. Despite the fact that Welcomgroup has been a late starter, and has had established competitors to contend with (Taj and the Oberois), quality of service and professionalism has been ensured. In an intensely competitive market, Y.D. Deveshwar, ITC's executive director in charge of hotels, claims that the Maurya at Delhi has remained the revenue leader. The aim, according to Deveshwar, has been to position Welcomgroup as the best chain for the business traveller in India. The Sheraton connection should help.

When confronted with the observation that the hotels at Goa, Jaipur and Hyderabad have gone out of the Welcomgroup chain, Deveshwar says that ITC today is deliberately following a concentration strategy. Some of the hotels taken on earlier may not fit the new upmarket orientation whereas earlier the emphasis was on expansion. Today, ITC insists on a much more stringent "quality" clause in its leased properties, and in fact, the emphasis is on long-term leases. The Sea Rock hotel contract in Bombay has been renegotiated for 50 years, Nedous in Srinagar has been taken on for 99 years, and the Manjoram in Mangalore for 30 years. According to Deveshwar, the fees earned from the Park Sheraton hotel in Madras exceeds the total of all the hotels that have gone out of the chain.

ITC's hotels division earned a sales and service income of Rs 52 crores in the last nine-month period, which on an annualised basis is 25% higher than the previous year. The investment plans for the next three years are an ambitious Rs 30 crores each, which will include the Rs 20 crore splurge planned for the Sea Rock. The Windsor Manor at Bangalore and the Park Sheraton at Madras are both likely to see significant expansion, too.

In 1986, ITC had talked about spinning off the company's owned hotels — the Maurya, the Mughal, the Chola, the Windsor Manor, and Bay Island — into a separate company, in which the ITC equity stake would be confined to 40%, with the balance being distributed among the public. The advantage of such an arrangement would have been to realise some of the accrued capital gains for ploughback into the business, since hotels are particularly capital intensive. However, in the wake of the excise problems, government approvals were stymied, and ITC had to shelve the proposal. In the current new era of optimism, there is every chance of this proposal being revived.

FINANCIAL INNOVATION

According to the blue-sky thinking now underway at ITC, financial innovation is not going to be confined merely to the restructuring of the company's existing businesses. Feroze Vevaina, finance director at ITC, sees the possibility of ITC entering the financial services sector, with the market in India holding out endless possibilities. So far, ITC's tentative testing of the waters has been confined to the promotion of Classic Financial Services, in which it has a 24.9% equity stake. Classic has fared well.

Raj Sujan, managing director of Classic, reveals that in two years the company has done business worth Rs 21 crores, with an equal divide between three sectors — leased assets to ITC and group companies, leased assets to other large corporations, and hire purchase services for a number of manufacturers of consumer durables. Sujan feels that it is the last segment — hire purchase services — which holds the greatest growth possibilities.

While financial services are relatively unrelated to ITC's existing businesses, the company's recent thrust into seeds and edible oils has perceptible commonalities with the tobacco business — both involve dealing with farmers and the marketing of consumer products. T.D. Prasada Rao and S. Mishra, vice-presidents of the company's new agribusiness division, talk about a "holistic" approach to the oils business, where high-yielding seeds supplied to the farmer would be used for manufacturing the refined oils marketed by the company. ITC would like to build up a presence spanning the entire gamut — from germplasm technology in the seeds laboratory to the manufacturing and packaging of refined oils in consumer packs.

ITC's agribusiness is still a relatively restricted turnover area, with seeds accounting for less than Rs 1 crore, refined oils ("Sudam" in bulk packs and "Sundrop" sunflower oil in consumer packs) about Rs 7 crores, and exports of oilcakes about Rs 4.5 crores. However, both Mishra and Rao think the sky's the limit, and the targets for the current year have been set at an ambitious Rs 65-70 crores. The seeds business ties in with the



BHOOTHALINGAM SEEKS CONVERTS FROM BIDIS

government's oilseeds mission, and ITC, with its years of extension work among tobacco farmers in Andhra Pradesh and Karnataka, has proven strengths which it can utilise. In the seeds area (currently a Rs 400 crore market), tieups with Pacific Seeds of Australia, a Hungarian company, and an American university are on the cards.

Similarly, in refined edible oils, which is a Rs 8,500 crore market, and in which even the largest players account for a very small market share, there are great possibilities for branded "health" oils, especially with a shift taking place away from vanaspati. ITC, with its proven marketing skills, is talking about introducing the innovative "bag-in-box" packaging.

Currently, the agribusiness division is marketing the production of ITC Agrotech, an Andhra company with a Rs 8.5 crore Sunflower oils refining project in which ITC has taken a 25% equity stake. Later, if given government permissions, ITC plans a giant 1 lakh tpa plant in Uttar Pradesh, with an investment of about Rs 60 crores spread over three to five years. ITC executives feel that 10 years hence, the company's edible oils business may well rival the mainstay tobacco division in terms of size, with possibilities opening up for further downstream extension into soaps and chemicals.

CONSOLIDATION PROCESS

All these developments serve to underline the consolidation process that has taken place under the chairmanship of Jagdish Sapru. His achievement has been to build on the foundations laid by Haksar, and to give a further thrust for expansion in paper and diversification into oilseeds.

It is often said that Haksar's style was "autocratic," while Sapru's is "participative." However, a number of directors at ITC make the point that such distinctions may not be too meaningful. "The two chairmen gave their best in two different phases," says an observer. "Entry into new businesses, aggressive diversification, and the dilution of foreign holdings, all of which occurred in Haksar's time, made big news. But the conversion of diversification projects into a stream of income, and competitive leadership, takes time and sweat. This has been the achievement during the Sapru years."

Combined with the perception that Sapru has been a fair "team player," there is unanimity that he has opened up synergies between BAT group companies in India, and even within ITC divisions. The instances cited are the induction of Tribeni Tissues into the group, and the secondment of the tobacco division's agronomists to the new seeds division. It is felt that there is an emergent "ITC group" concept, about which Sapru and his colleagues are quite unapologetic, especially with regard to the pool of professional resources that such a "group" can foster. And it is possible that this has the full blessings of the overseas shareholder, BAT Industries.

Clearly, BAT feels much less miffed with its Indian associate company than at the time of Haksar, when ITC's diversification projects met with passive disapproval. The success that the professional managers at ITC have made of the diversification has obviously earned ITC the respect of BAT, which has been demonstrated in the latter's decision to allow Tribeni to come under ITC management.

There is some speculation that BPL and Tribeni may ultimately be merged. BAT has a direct 51% shareholding in Tribeni, while the stake at BPL is through ITC: 33% promoters' equity. A merger between the two companies would allow BAT a direct shareholding in the new corporate entity, while at the same time allowing Tribeni's foreign holdings to decrease and thereby enable it to emerge from the clutches of the Foreign Exchange Regulation Act.

Whether such an arrangement between BPL and Tribeni will be permitted by the government, and whether ITC's applications for new projects will be cleared, depends on the excise case. Many observers feel that the government may have painted itself into a corner in the excise case; to escape it may have to do a Houdini act.

A reasonable settlement must obviously be reached, but in the prevailing political milieu, whether this is done before or after the elections, there will be inevitable allegations of payoffs. Nevertheless, Sapru has achieved at least one thing: by convincing the government to bring in a more sensible excise regime in 1987, he has ensured that there will be no need for the kind of quarrels over excise that the old rules prompted. Meanwhile, as he waits for the excise cloud to lift, it's blue sky elsewhere for the ITC group.

■ *Subrata Roy*

SUPER SHOW

ITC's nine-month results for the accounting period ended 31 March 1989 bear ample testimony to the success of the company's corporate strategy. Not only has the company announced a mouthwatering bonus issue of 1:1, but it has also proposed a high 40% dividend. That works out to 53% on an annualised basis.

With a gross sales turnover of Rs 1,058 crores (18% up on an annualised basis), the company earned a profit before tax of Rs 47.21 crores (Rs 47.13 crores for the previous 12-month period). Profits after tax rose 57% on an annualised basis (Rs 29.20 crores for nine months).

Spectacular results. Group company VST Industries also posted equally spectacular results, with a 25% final dividend (50% total) for the 18-months ended 31 March 1989. With after-tax profits up to Rs 4.82 crores (a 14.7% rise annualised), the company thrilled shareholders further with a 3:5 bonus issue.

The results of Bhadrachalam Paperboards and Tribeni Tissues were still not out at the time of going to the press.

VEVAINA SEES OPPORTUNITIES IN FINANCIAL SERVICES



DIRECT MARKETING

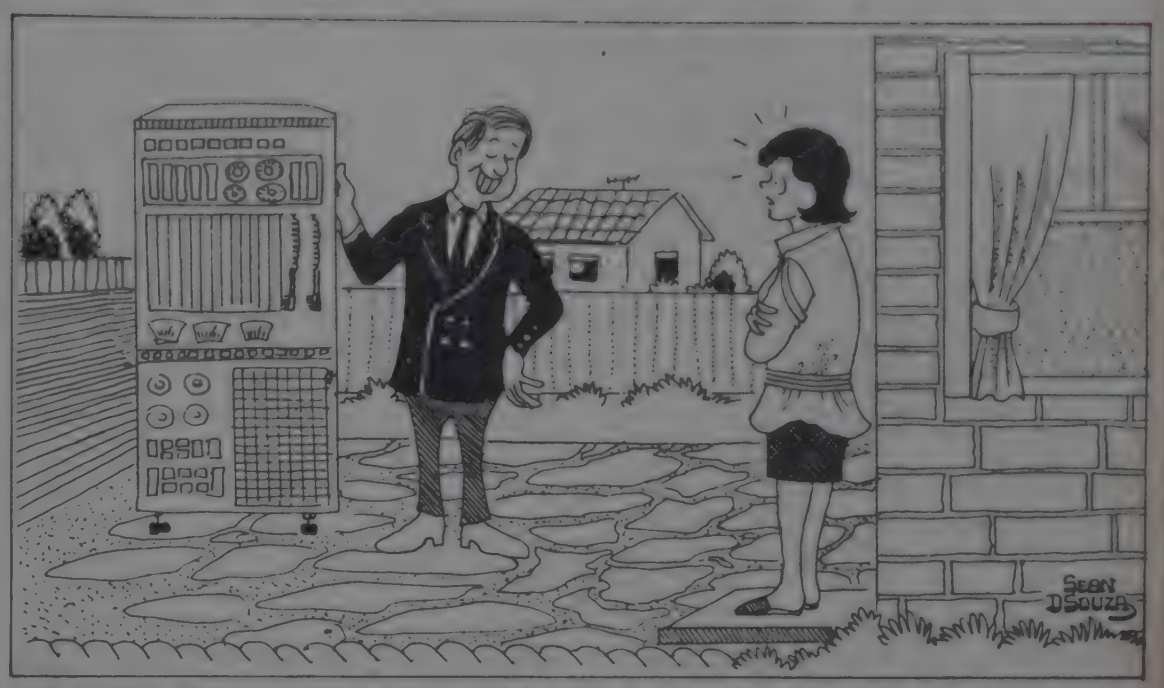
COMING INTO ITS OWN

Direct marketing, for long the poor and often despised "below-the-line" relation of advertising, is now coming into its inheritance.

In the US — its traditional home — it has already done so. More than half of the $118 billion spent on advertising in the US last year went into direct response media. Direct response television is now the fastest growing sector.

The consumer market is fragmenting, which means that brand advertising to the whole market is no longer enough. Different market segments and, ultimately, individual consumers must be addressed separately.

The development of the computerised customer database is giving direct marketers the technology to do so. More and more companies in every business sector are realising that the collection and manipulation of information about their customers is the key to their marketing future. The database is the engine that will drive sales and growth.



"OUR MARKET RESEARCH SHOWS THAT YOU ARE JUST THE CANDIDATE TO BUY OUR HI-TECH TOOTHBRUSH"

Extensive range. As computer hardware and software have become cheaper, the range of consumer information available to business has become ever more extensive. The company which knows its own customers — their names, addresses, ages, occupations and buying habits — can better satisfy their needs and wants, and retain their loyalty. With a profile of its existing customers, the company can then turn to thousands of computerised lists of consumers on the market — for sale, rent or exchange — to find prospects with similar characteristics.

WMI/Worldata, one US list broker, for example, publishes a catalogue of more than 15,000 lists for rent — lists of companies and individuals in virtually every field from architects and butchers to wine merchants and woodworkers. Mardev, a list management company founded in Geneva in 1971, offers 20,000 combinations of data from 3,000 lists in Europe.

Consumer and business lists can be broken down by geographic area, by annual sales or purchases; people who have already responded to direct mail offers can be identified — and the amount and frequency of their spending. "If you are selling a $300 product, you do not want a list of people who have ordered something for $5," the WMI catalogue advises.

Another US list company, Denver-based NDL, has pioneered the compilation of data on the lifestyles of consumers. Its Lifestyle Selector lists consumers — 20 million in the US, 3 million in Britain — not only by demographics but by household income (How is that obtained? "We ask them," says Jock Bickert, chief executive.) and by 140 different hobbies, interests and leisure pursuits.

In the US, a company can use its lists to target, for example, 4.3 million anglers, 3 million golfers, 2 million wine buffs, 2 million gardeners, and 1 million stamp collectors.

The technology of the collection, storage, revisal, and output of such information is by no means perfect. But, more serious, according to leading direct marketers, is that business generally still manages and uses its database assets ineffectively. The potential for sales, market research and testing, new product development and brand building is far from being fully exploited.

Poor relation. Graeme McCorkell, director of List Management Services of London, says: "A one-to-one marketing database is but a poor imitation of the Victorian shopkeeper's address book and his personal knowledge of his customers' foibles until we learn to use it with the same sensitivity, and picture our 'names' as real people.

"To do this requires a change of philosophy on the part of the manufacturer or service provider. We have the means to treat people as individuals; we have still to learn that we should treat them as important."

He adds: "For a time, the manufacturer was king — and mass media advertising enthroned him, reducing the role of the retailer, the service provider ... but the western world has moved on, and now we see a world in which the consumer is once more prepared to pay for service, a world in which the provider of service rules."

The direct marketing industry, itself, also has much to learn about using the new processes as the still frequently low response rates to database marketing show.

Databases will make direct marketing a more essential and valuable tool — but US 'guru' Lester Wunderman and other leading industry figures believe its future lies in its successful integration into marketing campaigns with other processes from market research and image advertising to sales promotion. Walter Schmid, a founder of the annual Montreux direct marketing symposium, now celebrating its 21st anniversary, agrees: "The

marketing database is not an unqualified blessing. It brings with it many problems which we must address and solve."

Among these, the question of privacy looms large — "We must ask ourselves," says Schmid, "at what point does the commercial use of data become an abuse of an individual's privacy? And at what point does a government or political party's expousal of 'data protection' become, in fact, protection for the individual from substantial commercial and service benefits, and an unwarranted restriction of communication?

"Data protection is undoubtedly the biggest challenge for our industry ... proper use and sensitive restraint are the keys to success."

The privacy issue is hardly a new one for the industry, however, and there is general recognition that public concern about the security of computerised data, especially financial information, and the growing use of telephone marketing must be better handled than past complaints about "junk mail."

"The potential that technology holds for consumer benefit and growth in our industry will never be achieved tomorrow unless we, as an industry, safeguard privacy today," says Dennis Benner, vice-president of the California lists company TRW Target Marketing Services.

"If we abdicate our responsibility to solve emerging problems, ultimately the legislators and regulators will select our products and our technology." It is with such thoughts in mind that industry associations in the US, Britain and Europe are constantly reviewing marketing practices and cooperating with government in enforcing standards.

Obvious priority. Gaining the consumer's confidence is an obvious priority for an industry which wants to sell to them; and though the process may have been slow, there are clear signs that it is succeeding.

The industry's image has been improved by some of its more recent but enthusiastic clients — the financial institutions, conservation groups and charities.

And the year-on-year growth of the industry suggests a growing acceptance of the medium. When telemarketing in the US creates $170 billion worth of business-to-business and consumer sales, and direct mail

Year-on-year growth rates indicate growing acceptance of the direct marketing industry. In the US, telemarketing generates over $170 billion of sales

another $117 billion; when £7 billion worth of goods are bought through the post in the UK; and when the volume of direct mail in France has risen by 70% in six years, direct marketers are obviously meeting the needs of many millions of consumers.

Direct marketing is now pushing into new business areas, such as consumer durables and packaged goods, but while its techniques are practised worldwide, the industry still operates largely on a national basis.

The advent of the single European market in 1992 may stimulate more cross-frontier activity. Many US direct marketers are looking at the possibility of following such pioneers as *Reader's Digest* and *Time-Life* into the European market; and some British direct marketers are already running pan-European campaigns.

Printronic Corporation (UK), for example, built the software for a single pan-European mailing for the *Financial Times* nine years ago. Within the next five years it was being used successfully by other publishers.

Nicholas di Talamo, Printronic director, says: "It is my understanding that the UK is the only centre to offer the software for all the EC countries in one package."

British telemarketing agencies, such as the Programmes group, have also been conducting campaigns for British clients in several West European countries.

But pan-European direct marketing campaigns conducted from one centre are still relatively rare. The European market is fraught with difficulties. Apart from the obvious problems of language and translation, national laws affecting marketing differ enormously.

Sweden, for instance, demands that the total value of a sale should be explicitly detailed; book and magazine advertising is barred in France; data protection laws are tough in Scandinavia but almost non-existent in Spain.

For such reasons, John Watson, chairman of WWAV, the UK's biggest direct marketing agency, which recently carried out a mailing to France, Italy, West Germany and Spain for the British Library, believes that although the industry's growth in Europe over the next few years will be substantial, it will remain largely national in character.

■ *Philip Rawstorne*

(By special arrangement with the Financial Times, London.)

HONGKONG

LABOUR PAINS

The Hongkong government's rejection of a call by a coalition of business leaders to import workers to fill the current and projected labour shortage could finally give the territory the necessary prod to upgrade its industrial base.

But the prod will prove ineffective unless government and industry act quickly; they need to set up training programmes that will compensate for local industry's reticence on greater use of automation and high technology. Industrialists particularly must back up their oft-stated commitment to the future of Hongkong with more capital investment.

The labour shortage is the result of slowing population growth, a halt to illegal immigration from China and accelerated emigration, mainly of professional and managerial workers. At the same time, the service sector has been growing rapidly, the result of a range of factors, including expansion of support services to meet the growth in China trade and a local tourist industry that has benefited from Hongkong's comparatively weak currency.

Resisting pressure. The government so far has resisted pressure to allow any major increase in the import of skilled and unskilled workers, citing social and economic objections. It

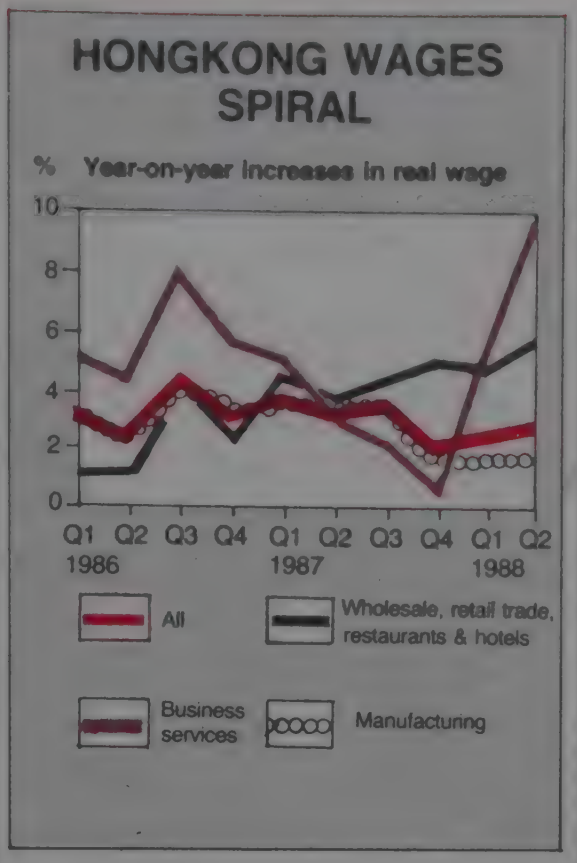
has, however, said it is "examining areas which have acute skilled manpower shortage, and on this basis we will consider allowing more skilled people to be brought in under the existing policy with relaxed criteria." In the main, the government has called repeatedly on industry to compensate for labour shortages through increased investment.

A *Report on Hongkong's Labour Shortage*, submitted to the government by a business coalition, the Joint Association Working Group, recommends large-scale imports of contract labour from China. The coalition comprised the Chinese General Chamber of Commerce, the Chinese Manufacturers' Association of Hongkong, the Federation of Hongkong Industries, The Federation of Hongkong Hotel Owners, the Hongkong General Chamber of Commerce, the Hongkong Tourist Association, the Retail Management Association and the Textile Council of Hongkong.

The report proposes that 20,000 daily contract workers be brought in from Shenzhen, the special economic zone adjoining Hongkong, and that the current daily quota of 75 legal Chinese emigrants be doubled (about half of these Chinese immigrants are not economically active, being elderly or children). The report said these measures will lessen the detrimental effects that it says are caused by the labour squeeze. These effects are: rising inflation; a limit on GDP growth; the shift of major non-quota manufacturing enterprises to China and elsewhere; delays in building needed infrastructure; the inability of manufacturers to execute orders; deteriorating standards of products and services; worsening quality of life that exacerbates the brain drain; the shift of multinational companies' regional bases away from Hongkong; the high cost involved in rapid staff turnover; and an increasing number of accidents at construction sites and in industry.

The answer, suggested by the 89-page study, is that there is "no single alternative to importing contract labour (that) could resolve the labour shortage problem."

Union officials, economists, engineers and even a few industry officials disagree. However, there is consensus that much greater flexibility — specifically over the definition of skilled and unskilled — must be allowed within the existing provisions for importing labour. Union



officials stress that applications must be examined on a case-by-case basis.

The objections to the business coalition's proposal fall into two categories: the social and political impact of imported labour; and the fact that the economic viability of Hongkong requires a huge technological upgrading of its industrial and service sectors, rather than more cheap labour.

Social criticisms. The social critics point out that the proposal to import contract labour from China would depress the wages of the one group that has not benefited from Hongkong's booming economy — manufacturing workers. The manufacturing sector is the largest employer in Hongkong, with 844,575 workers in the third quarter of 1988 out of a total workforce of 2.8 million.

But even with the overall unemployment rate at an all-time low of 1.3% and 55,069 reported vacancies in the manufacturing sector, year-on-year increases in real wages have lagged far behind those of other sectors. This reflects, to a large extent, the trend among Hongkong manufacturers to move their labour-intensive operations to Shenzhen, where wages are half those in Hongkong. Many are moving to the even cheaper labour areas in South China.

Other sectors, from services to construction, cannot shift across the border. As a result, wages for all sectors except manufacturing have risen sharply over the past two years. Importing contract labour would, in the main, fill vacancies in manufacturing and further depress wages, worsen income disparities and could lead to labour unrest.

Other objections to importing labour from China range from a dislike of the working practices of many mainland China staffers now in Hongkong to the added burden that it would place on already inadequate social services, transport and housing.

Sources close to government say that it has rejected the idea of large-scale importation of labour because of fears that the shortage could become endemic. If that occurs, the government reasons, Hongkong will be saddled with a large pool of Chinese workers who, on the basis of their long-term residence here, will agitate for the right of permanent residence for themselves and family members still in China. This would hasten the social integration of Hongkong and Guangdong province and could provoke unease, if not unrest, in a Hongkong looking nervously towards the change of sovereignty from Britain to China in 1997.

Indeed, if one is to give more than lip-service to the premise that Hongkong is to be a separate administrative region after 1997, then it must have the ability to control immigration. Nonetheless, if Hongkong is to allow the immigration of skilled and semi-skilled workers from the Philippines or South Korea, it may be politically difficult to close the doors to semi-skilled workers from China.

Macro-economic implications. A study prepared for the report argues that the macro-economic implication of the labour shortage, if investment or labour supply is unchanged, will be a decline in GDP growth from the current 8.5% to 6%-6.5% up to 1994. Echoing the various employer groups, the study says that shortages now appear in every sector of the economy.

The study projects that the current 8.5% growth rate can be maintained if:

- Labour is imported freely and capital investment as a proportion of GDP is unchanged. In this case, 57,600 foreign workers will have to be imported in 1989. By 1994, the accumulated imported workforce will number 422,000.
- There is no change in the present

policy on importing labour and investment growth accelerates from the present 6.5% of GDP to 9%. Although the substitution of capital for labour will not be viable for all industries that are affected by the current shortage, workers released by one industry can move into other industries. This mobility, however, will require a huge increase in adult education and training.

A third scenario that allows for a less than optimum increase in GDP — 7.4% instead of 8.5% — would require an investment growth rate of 7.4%. Under this scenario, 17,000 foreign workers will be needed in 1989. By 1994, accumulated imported workers will total 140,000.

The economists commissioned by the business coalition to prepare this study say that the scenario which requires a significant stepup in investment is the best, though they point out that the acceleration of investment and labour mobility may not be easy to achieve.

Difficult or not, many other economists feel that Hongkong has no option but to upgrade its industrial base and divert funds from retained earnings, or profits, to investment. This need to increase investment comes at a time when growing uncertainty over Hongkong's future has prompted many to invest their earnings offshore rather than fund needed capital improvements.

In the report's study, short shrift is given to the need for Hongkong to increase its per capita GDP. Critics feel that this clearly shows that Hongkong's capitalists only desire to maximise growth while holding down wages — a policy which is at odds with the interests of the majority. Nor, critics say, has adequate attention been paid to Taiwan's response to a tight labour market. Rather than import workers, Taiwan manufacturers were forced to upgrade industry and raise industrial wages too.

One suggestion to maintain the growth rate — investment in capital improvements — comes at a time when growing uncertainty over Hongkong's future has prompted many to invest their earnings offshore

In 1987, Hongkong's industrial department commissioned P-E Consulting Service to study the metal and light-engineering industries and to recommend measures that would assist development. Their study stressed that over the medium to long term, China will attain a level of competence equal to or better than the current industry level in Hongkong. The industry, therefore, must adopt "a strategy of moving upmarket in product and production technology, productivity and quality in order that it is not supplanted as a manufacturing base."

In fact, the shift by manufacturing industry into Guangdong to engage in largely labour-intensive export-processing operations (now estimated to employ 2 million or more workers across all sectors) serves only to freeze Hongkong's industrial structure. The consultants, who claimed that their study of metals and light engineering typified manufacturing as a whole, note that the windfall of cheaper labour in China will prolong Hongkong's competitiveness. But the price of this will be to dissuade manufacturing industry from investing here, or contributing to the domestic economy on a scale proportionate with its resources.

The major weaknesses they identified that typify Hongkong's manufacturing sector are: insufficient investment; low pay; low labour productivity; poor workplace organisation and working conditions; lack of quality assurance; backward technology; inadequate product development; and an inability to recruit and retain technicians and technologists.

In other words, Hongkong's failure to move upmarket and maintain its competitiveness owes more to the industry's failure to upgrade than to a shortage of labour. Importing huge numbers of workers will only serve to worsen present weaknesses.

■ *Ellen Salem*

(By special arrangement with the Far Eastern Economic Review, Hongkong.)

CHEMICALS PRICES

WHAT GOES UP MUST...

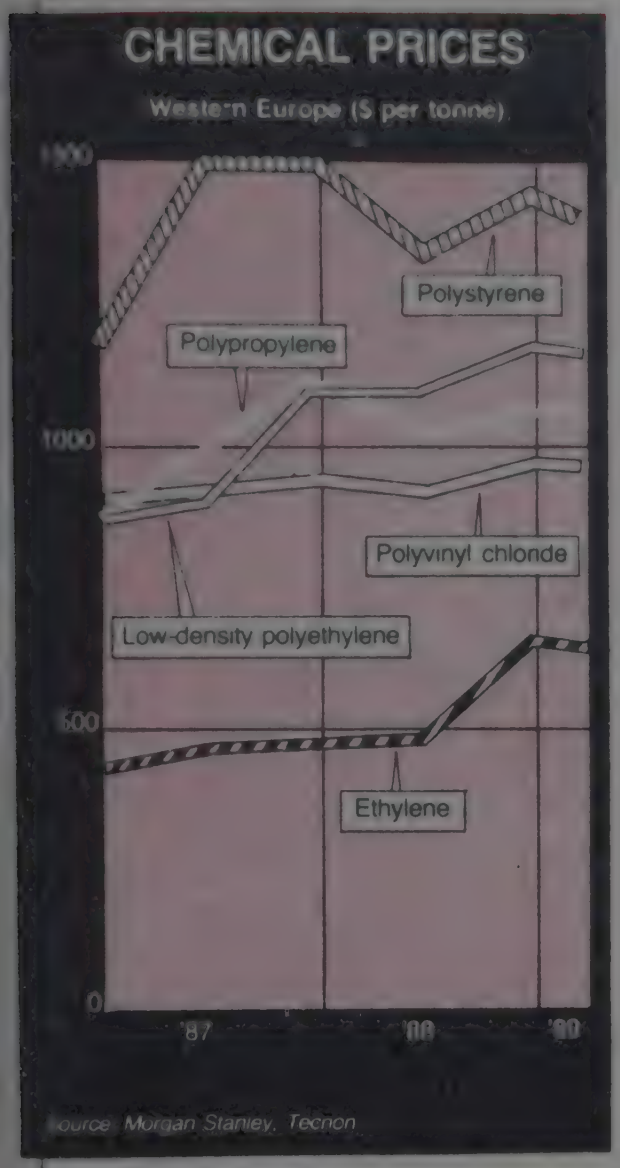
Purchasers of chemicals across a range of industries are hoping for a "soft landing" to bring to an end the price explosion that has affected many basic synthetic materials over the past two years.

"In 1988 there was a great whoosh in chemical prices," says John Phipps, a manager at Tecnon, a London-based chemicals consultancy. "We ought now to be in for a period of stability." In the past few weeks, there have been some signs of this happening. Prices of commodity plastics such as polypropylene, polyethylene and polystyrene have started to soften in a major break with the generally upward movements of the past two years.

For some buyers of chemicals, the price rises have led to a doubling in raw materials costs in the past two years. In many sectors, though not all, purchasing industries have generally been able to pass on these extra costs to the final consumer. The price eruption has its roots in the good economic conditions in many industrialised countries. There has been strong demand from many big users of chemicals, which include the consumer goods, vehicles and building industries.

Shortage of capacity. About half the output of the world's $1,000 billion a year chemicals business is sold to other sectors of manufacturing industry rather than to final consumers.

An additional factor has been a worldwide shortage of manufacturing capacity in several basic chemicals.



During this period many commodity chemicals operations were losing money and the chemicals sector as a whole was in deep trouble.

The price movements since 1987, in the eyes of much of the synthetic-materials industry, have restored the sector to a more balanced position.

There is now some concern among chemicals executives that the current rash of plans for new commodity chemicals plants, which has been spurred on by the healthy demand for chemicals, may disturb the good times.

In combination with a widely expected slowdown in the world economy over the next few years, the new plants could lead to overcapacity and consequent price spirals. That could plunge the industry once again into gloom. "What most people are hoping for is for prices to follow what you might call a Lawsonian glide path, in which they come off their peak but settle down in a balanced way," says Peter Driscoll, who works for Consultants International, a UK consultancy.

Discussion of the price shifts is complicated by the hundreds of basic These include ethylene, an oil-derived gas which is a basic building block for many other chemicals used throughout industry; commodity plastics; and a range of intermediates used to make artificial fibres.

A number of the big guns in the chemicals sector have benefited from the price escalation, chalking up record profits over the past two years. However, the big chemicals businesses are unhappy about any talk of their profiteering from the buoyant demand.

Managers say that prices for commodity materials hit rock-bottom in the recession of the early eighties. chemicals affected and the tangled nature of the production routes. A further complexity is the lack of formal markets for even the most widely traded commodity chemicals. Prices for these substances are generally decided on in informal telephone conversations between buyers and sellers.

Together with ethylene and other oil-derived materials, including toluene and benzene (which are used in a range of industrial chemicals), widely traded bulk chemicals also encompass products made from feedstocks other than petroleum. Despite the relatively haphazard way in which chemicals prices are decided, sums charged for the main chemicals in specific geographical regions tend to cluster around the same levels, regardless of suppliers.

Significant differences. However, there can be significant differences between prices in the main industrial blocs of western Europe, Japan and the US, due to different trading conditions.

Sums charged by suppliers may also vary depending on whether the buyers contract for a consignment of chemicals several months in advance or buy on the spot market for immediate delivery. In today's tight market for chemicals, spot prices are often significantly higher.

Specific factors that can influence sums charged for chemicals include heavy purchases from large customers. Last year, China was a big purchaser of many bulk plastics and fibre intermediates from the West, a factor that helped keep up prices. In 1989, purchases from China have been lower, which has been one reason for the slackening in the market.

Plant shutdowns and unusually heavy demand for materials such as gasoline products, which may be made in the same manufacturing process as specific chemicals — examples include benzene and toluene — can also influence price movements.

Ethylene is made at an annual rate of some 50 million tonnes, some 60% of which is used as feedstock for big-selling plastics such as polyethylene and polystyrene. European contract prices are now about $700 a tonne, double the figure at the end of 1987, while US prices have followed a similar upward trend.

The changes in ethylene pricing have been especially good news for Dow Chemical, Exxon and Union Carbide of the US, Canada's Nova and the Anglo-Dutch Shell — the world's five biggest ethylene suppliers.

Commodity plastics have followed the general upward price movement, as have other somewhat more specialised chemicals used to make acrylic, nylon and polyester fibres. Major intermediates that feature in fibre production include terephthalic acid, dimethyl terephthalate, caprolactam and acrylonitrile.

Due to the difficult times for much of the textiles sector, the main purchaser of fibres, fibre producers have generally not been able to pass on their higher raw-material costs to customers — and thus have suffered. "The fibres people have been tanned over the past two years," says Driscoll.

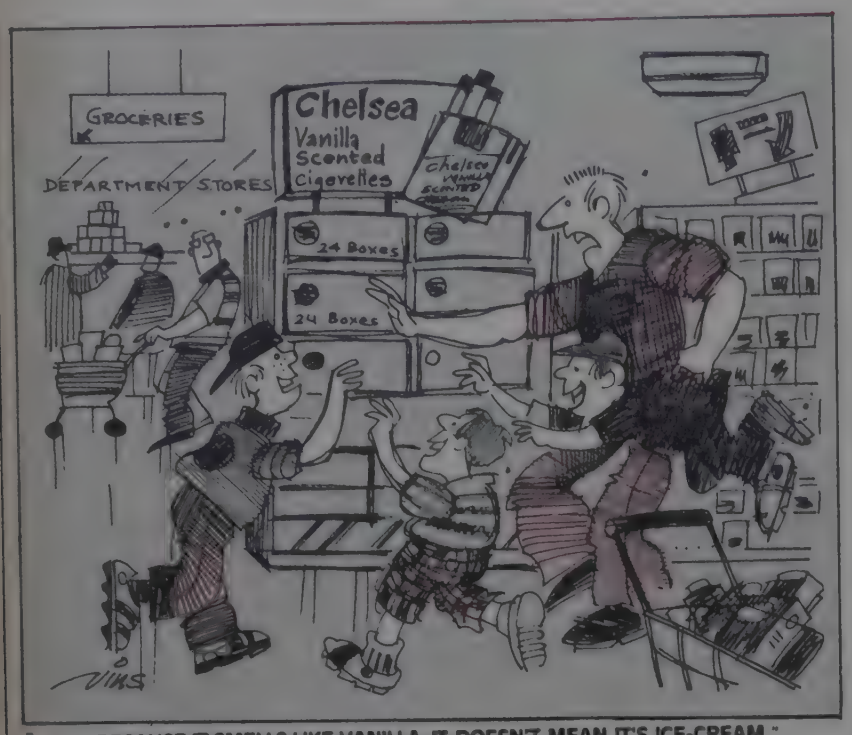
Fibre-makers who buy most of their intermediates from outsiders rather than producing the materials themselves have been particularly hard hit by the price changes. Chemicals groups in this position — which are only marginally "backward integrated" and which as a result have missed out on at least some aspects of the recent profits boom — include Akzo of Holland and France's Rhone-Poulenc.

The packaging industry, another big user of chemicals, has generally been able to pass on the higher costs, according to Rowena Mills, a London-based packaging consultant. Even so, she says, some companies in this sector have suffered from the higher costs. "They are hoping for more settled times in 1989," she says.

■ *Peter Marsh*

(By special arrangement with the Financial Times, London.)

SMOKEY WARS



" JUST BECAUSE IT SMELLS LIKE VANILLA, IT DOESN'T MEAN IT'S ICE-CREAM "

The battles for new niches in the American cigarette market have commenced. Lorillard, the maker of Kent and Newport cigarette brands, and R. J. Reynolds are launching cigarettes with add-on gimmicks. While Lorillard is taking the flavour route, Reynolds is launching a scented cigarette. Lorillard's offering is Spring Lemon Lights which boasts "a distinctive yet subtle hint of lemon flavour." And Reynolds' vanilla-scented cigarette, Chelsea, is being hawked as "the first cigarette that smells good" and is backed by scratch 'n sniff advertisements.

An unrepresentative sample of smokers has, however, squashed Lorillard's lemon flavour claims and has complained that Lemon Light's packet smelt more of lemon than the cigarette tasted of it. This puts it in competition with Reynolds' Chelsea. However, both cigarettes are targeted at the same market segment : smokers who don't like their habit to tell tales on them.

The two companies don't seem to be doing their homework well. Americans are a sceptical lot when it comes to innovations, specially in as personalised a product as cigarettes. Reynolds has already had one failure in the novelty market with its smokeless cigarette, which smokers coldshouldered in spite of a massive development budget of $300 million.

Analysts say that tamer novelties like Capri, made by Brown & Williamson, which has carved out a perch for itself as the slimmest cigarette in America are a better bet. Besides, companies could try repositioning, as exemplified by Marlboro, which was initially a woman's cigarette but is today America's No. 1 macho cigarette.

CAPITALIST ROADERS

The Russians seem to be taking more and more leaves out of the capitalist's handbook. The latest one is a proposal to set up economic zones along capitalist lines. The zones will be designed to encourage foreign capital and technology investment. They will probably have some form of convertible currency and will offer customs exemption on both imports and exports. Most importantly, they will be freely accessible to foreign businessmen.

Another change being brought about is the granting of permission to foreign companies to set up fully-owned outfits. Currently, foreigners can invest in the Soviet Union only through joint ventures.

Two probable locations have already been shortlisted — one north of Leningrad, on the border with Finland, and the other in far eastern Russia. The plan is, however, still at the draft stage and changes could be inserted later.

HOT-EL TAKEOVER

Guess what's the highest price paid per room during a hotel purchase? You won't believe it, but it's a cool $ 1.2 million (Rs 1.8 crores). That's a whole lot of greenbacks, but the Tokyo-based 95-year-old luxury hotel operator, Sekitei Kaihatsu Co., thinks it's worth it. The company is forking out about $110 million to oil heiress Caroline Hunt to buy the legendary Hotel Bel-Air located in Los Angeles.

The 92-room secluded and beautifully landscaped luxury hotel sprawled over 4.5 hectares will, however, continue to be operated by a Hunt-owned company, Rosewood Property Co.

The previous highest price per room was $757,000, for a total of $200 million, which the Sultan of Brunei paid to acquire the Beverly Hills Hotel. And former owner Marvin Davis had coughed up some $136 million to insider trader Ivan Boesky only nine months before for it.

The high price tag indicates the willingness of offshore buyers to shell out skyhigh prices for prime property in the US and invest in luxury hotels worldwide.

AMERICAN SLOWDOWN?

The widespread fear that the US economy is slowing down has got a further push. The US government's principal economic forecasting gauge has declined for the second consecutive month. Three consecutive drops are sometimes regarded as a harbinger of recession.

Sceptical economists, however, say that the index is notorious for signalling recessions that never happen. Also, they point out, though nine of the index's 11 components declined, business orders for new plant and equipment grew, and prices of raw materials rose — signs of strengthening demand. "I still think it would be very premature to flash headlines saying a recession is around the corner," said Stuart Hoffman, chief economist at PNC Financial Corporation. But he added, "There's a slowdown signal in these leading indicators."

This could be a doing of the Federal Reserve Board. The Board has been trying to slow the economy by raising interest rates. The resulting fall in demand, the central bank's policymakers hope, will diminish pressure on businesses to raise prices.

S. KOREA EASES TRADE BARRIERS

The South Korean government has, of late, liberalised its import procedures. Unlike the 1960s and 1970s, the government is no longer preoccupied with the promotion of exports. Instead, it is promoting imports to reduce its growing trade surplus.

Recently, the imports of 139 items, which were restricted under special regulations, have been liberalised. Also, 16 agricultural products have been taken off the import recommendation system.

Because of these steps, an estimated $13 billion worth of such commodities are expected to flow into Korea this year. These liberalisation urges are designed to effectively cope with mounting trade pressures from Korea's major trade partners, notably the US. Korea, it seems, is no longer considered an economic cub to patronise.

BIG AD SPENDERS

Media Expenditure Analysis Ltd. (Meal), a UK-based advertising industry monitor, gives us the score on the big spenders. As a holding company having a host of subsidiaries, Unilever heads the splurge table, having spent £118.1 million on promoting the products of Lever Brothers, Brooke Bond Foods, and cosmetic company Elida Gibbs. Procter & Gamble (P&G) comes in second with an advertising budget of £77.4 million, with P&G and P&G (Health & Beauty) accounting for the spending. A surprise third is Her Majesty's government, which lowered spending to £76.13 million (a drop of £12 million over 1987).

P&G leads the pecking order in advertising expenditure by a single company (as opposed to a holding company) with a figure of £58 million. No.2 is British Telecom, which stepped up advertising to £45.66 million in 1988 from £29.99 million in 1987. Its extra spending, pushed Kelloggs into third place with an expenditure of £41.2 million.

BOEING REVAMPS BUSINESS

Boeing is reorganising its defence contracting business in order to see it through rough weather. And it's taking the route of marriage. Portions, of Boeing Aerospace and Boeing Electronics are being merged, permitting the king of the skies to concentrate on electronic systems. The fusion will, however, not affect employees, say Boeing spokesmen.

Boeing's defence-related business hasn't been doing well. It had got some contracts at fixed prices some years ago, making it impossible to pass on raw material cost escalations to the government. It had also been asked to make some modifications on a number of weapon systems without being compensated. Besides, the American military budget, after ballooning during the Reagan era, is gradually dwindling.

Analysts were expecting a more thorough revamping of Boeing's defence business with some divisions being done away with. But the megacorp has belied all hopes and has not even touched its military transportation group which raked up a $95 million operating loss last year.



McCOMRADE

"Want a hamburger comrade? Let's go to Pushkin Square." This conversation will make sense by the end of this year when McDonald's of Canada will serve "Big Macs" on Moscow's Gorky Street, the major shopping centre of downtown Moscow.

To meet a demand described as "infinite," the first McDonald's in Moscow will be the largest in the world. With 860 seats indoors and out, it should be capable of offering Big Macs to between 12,000 and 15,000 people a day. A second restaurant, closer to Red Square, will sell hamburgers only for foreign currency.

Even *Pravada* gushed, people will be able to "give an order and within moments walk away from the counter with appetising food." Heard of Moscow's famous queues anyone?

PHASING OUT CFCs

At last some consensus on the dreaded ozone layer eaters, chlorofluorocarbons (CFCs), has emerged. Some 80 countries, including India, have agreed to the cessation of production and consumption of CFCs by the year 2000. The countries made this declaration at a United Nations Environment Programme (Unep) meeting in Helsinki early this month. A commitment to set up a global fund to enable third world countries to develop suitable replacements for CFCs was also mooted. This includes access for developing countries to scientific information, research and training in the development of alternatives to CFCs.

Finer details have, however, to be worked out. These could pose a few problems. The entire resolution is dependent on the establishment of a global fund. Besides, some countries could also ask for the retention of some CFC capacity as their industry is developed.

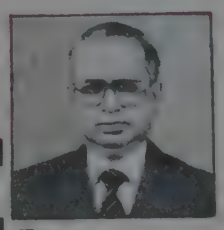
But already a decision to set up working groups, which will draw up specific proposals for implementing these resolutions at a review meeting next year, has been taken. And Norway has pledged 0.1% of its GDP (about $100 million) for the fund if other countries pledge the same.



SATISH DOSHI has joined as general manager, Institute of Advance Technology, Datamatics Consultants Ltd.



ASHOK BANERJI has been appointed vice-president (finance), Dunlop India Ltd.



C.R. SRINIVASAN has taken over as chief executive (R&D centre), Steel Authority of India Ltd.



DHIRUBHAI AMBANI has taken over as chairman of Larsen & Toubro Ltd.



K.A. IYENGAR has been appointed managing director of Mather & Platt (India) Ltd.



D.S. MATHUR has been appointed general manager (Lube Refinery), Hindustan Petroleum Corporation.



J.H. SETHNA, deputy general manager of the Union Bank of India, has been appointed general manager.



VINAY KUMAR MODI has taken over as chairman of Bombay Tyres International Ltd.



UGO LANFRANCHI has taken over as group general manager (Indian operations), FIAT.



ADITYA PURI has been appointed area head (Institutional Bank) for Citibank India, Sri Lanka, Nepal and Bangladesh.



SUSHIL BHATT has been promoted as general manager of Indian Horizon, a division of Thomas Cook (India) Ltd.



BHUPENDRA KUMAR MODI has taken over as chairman of Modi Xerox Ltd.

For the gracious people



Quality that's forever

Every genuine WILLS GOLD FLAKE cigarette bears the name W.D & H.O WILLS

STATUTORY WARNING CIGARETTE SMOKING IS INJURIOUS TO HEALTH

CLARION C-GFK-16



"Flying time to most travellers means time spent between here and there.

But to a business traveller flying time is something that comes between him and work.

And that's precisely why I have gone all out to make it fly.

I've pulled out the stops on most routes.

To give you the largest number of nonstops from India.

As many as 12 flights a week to London.

5 to Frankfurt, the business gateway to Europe.

3 to Rome.

2 to Amsterdam.

7 to Singapore.

One a week to Paris and Tokyo.

And my daily New York Whizzer has just one stop at London.

Which makes it the fastest flight to New York.

"I won't stop now!"





Another dream concept for the business traveller
s the Snoozer.

A special flight with convenient night departures
nd early morning arrivals.

So that you arrive rested and ready for business.

I've stretched my upper decks and I'm adding
o my fleet.

Which means more business class seats with an
mphasis on comfort.

On the ground too, I'm making sure that everything goes like clockwork.

Instant reservations, speedier check-ins and rapid baggage delivery.

My transit lounges at Bombay, Delhi, London and New York have also been refurbished to make relaxing a better experience.

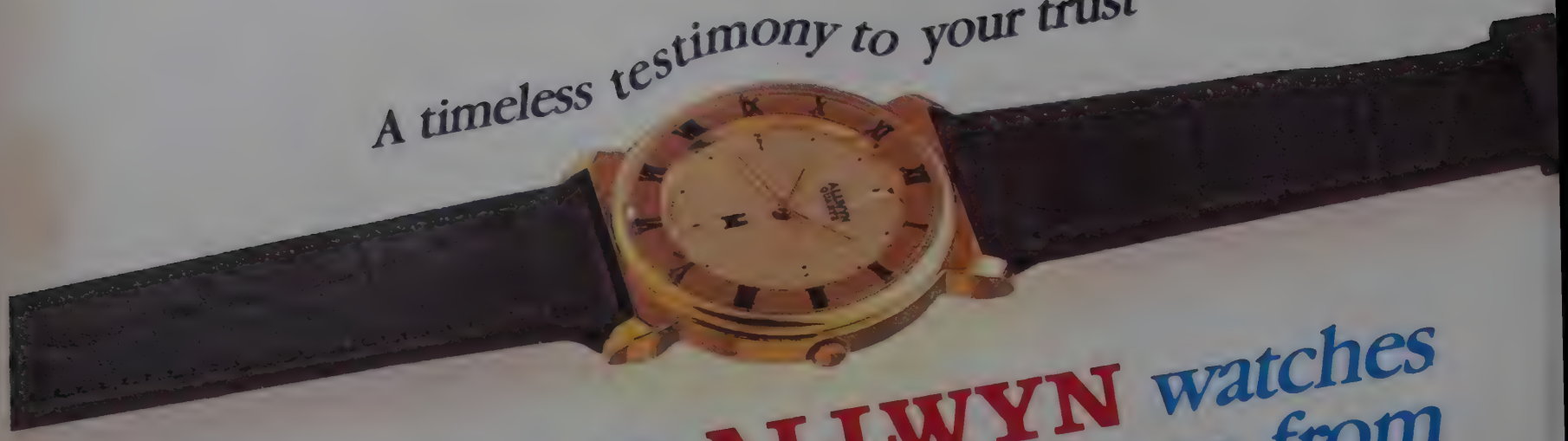
So fly Air-India now.

You'll love the way I've changed."

The business traveller's best choice – **AIR-INDIA**

HTA 2323R

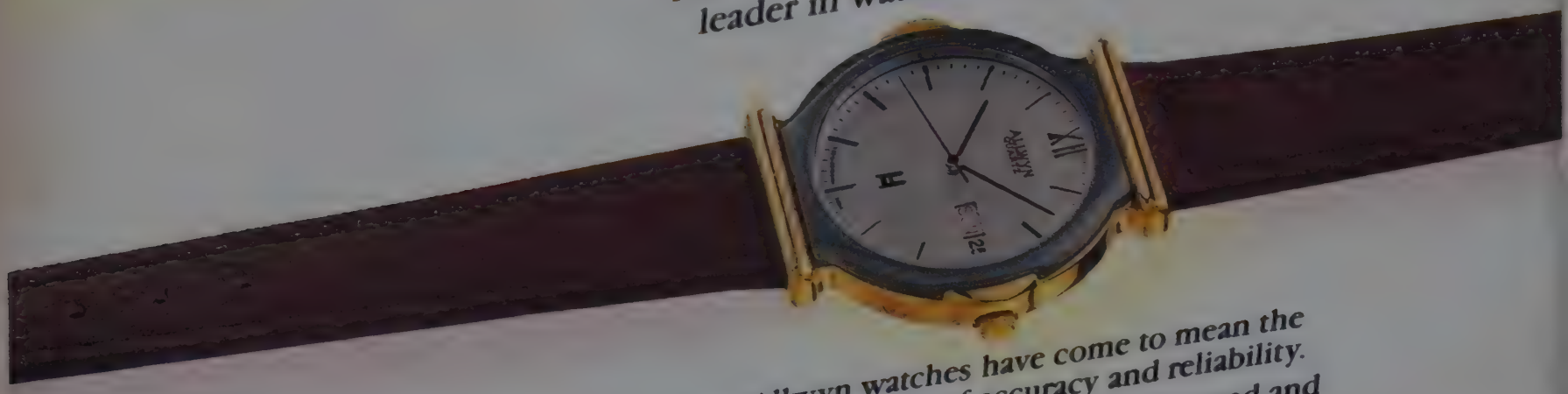
A timeless testimony to your trust



Over 50 lakh ALLWYN watches manufactured under licence from SEIKO



Thanks to our collaborator, Allwyn has grown into India's leader in watch technology.



And Allwyn watches have come to mean the highest standards of accuracy and reliability. The rugged beauty of Allwyn handwound and automatic watches. The exquisite elegance of Allwyn Quartz. The pulsating spirit of Allwyn Trendy. Each a piece of technological excellence and master craftsmanship. Allwyn leadership. Now proven more than 5 million times over. Thanks to people who discern technological excellence. People like you.

Time for the new generation
ALLWYN

R K SWAMY/HAL/7011

DIAMONDS FOREVER?

For much of March and April, India's hotshot diamond traders were getting hot under the collar. The provocation: the swoop by taxmen on the *angadias*, traditional diamond couriers. The riposte was immediate: the raiders were themselves besieged and angry diamantaires took to the streets to make their displeasure known. The outcome : a partial backoff by the taxmen.

That's success, twice over. To attract the unwelcome attentions of the taxman is one sign of success. To be able to deflect them is a sign of clout as well. But it's a well-deserved one. For, diamonds have been the supersuccess story in exports this decade. "Seven out of ten diamonds studded in jewellery manufactured anywhere in the world are imported from India," says Jatin Mehta, chairman of the Gem & Jewellery Export Promotion Council.

The world of diamonds certainly swirls around India. In 1966-67, when diamond monopolist De Beers' Central Selling Organisation first set its sights on India as a potential market for its roughs, exports of diamonds were a mere Rs 10 crores. By 1988-89, the figures had risen over 400-fold, to Rs 4,230 crores in a total gem and jewellery export aggregate of Rs 4,554 crores. "By 1990, when the world trade in diamonds reaches Rs 16,000 crores, we want Rs 8,000 crores as our share," says Mehta.



INSPIRING TRACK RECORD

The industry's track record certainly inspires confidence. India's hotshot diamond exporters have over the last two decades snatched a two-thirds share of the world market in smalls (stones below one carat) from leaders Belgium and Israel. That part was easy in view of low labour costs in the country. But now the challenges are different. With the Diamond Trading Company (DTC), which canalises three-quarters of the world trade in roughs, now actively seeking to develop alternative diamond cutting and polishing centres in other low labour cost areas like south-east Asia, Sri Lanka and China, it is obvious that the competition will be tougher. Can India hold its own?

To seek an answer to the question, it is necessary to seek the roots of the diamond trade in India. That takes us to Palanpur in Gujarat. "Palanpur is the home of the Indian diamantaire," says Kantilal Chhotalal of Perfect Gems Exports Pvt Ltd. "And the Jains of Palanpur (who account for 80% of diamond exporters) are synonymous with India's overseas diamond trade," he adds. There is a reason for this. Being small and easy to purloin, dealing in diamonds involves a lot of trust. So who can be more trustworthy than clansmen?

Being entrepreneurial also helped. The saga of modern diamond exporters begins with Surajmal Lallubhai and Amulakh K. Parikh, who left their native Palanpur and set up shop in Bombay in the early part of this century. In the forties they surfaced in Rangoon, Burma. But in the next two decades it was Bombay that emerged as the base of operations. And as business boomed, many of them made for Antwerp in Belgium. Today, the more than 3,000 families settled there are believed to control over half the diamond trade of Antwerp.

"The topmost diamond trader in Antwerp is an Indian," says Arun Mehta, who was recently in the news for buying a Husain painting for Rs 10 lakhs at the 'Timeless Art' auction held in Bombay. Mehta started his firm, B.Arunkumar & Co., in 1960 along with his uncle. "I dropped out of college to set up my own business with Rs 10,000 given by my father. I started buying roughs for cutting and polishing and then selling them in the market. During the Sino-Indian war in 1962, the prices of diamonds in the local market fell by 25 %. So I decided to sell my wares abroad. My first exports were to Hongkong," recalls Mehta. He has not looked back since. Today his company is the seventh largest exporter in the country with Rs 38 crores of shipments in 1988-89.

Arun Mehta and family have since extended their business to include four more companies in the group: Everest Gems, Sunainaraj Gems, B.Arunkumar International and Intergold India. The group expects a

India has sparkled in diamond exports. But the industry has now to shine up to face emerging competition from south-east Asian competitors

Sintex

THE ONLY RELIABLE AND TIME-TESTED WATER TANKS



As Pioneers, Sintex has given excellent performance for nearly 15 years. Withstanding all the tough and rough Indian conditions. Dotting the Indian scene with lakhs and lakhs of installations-from Kashmir to Kanyakumari and Kutch to Kohima. Proving popular for all the water storage and carriage applications. The proof enough to understand why more and more people count on Sintex. Making them the largest selling plastic water tanks in the world. After all sky is the limit for the real Innovator.



For further information contact:

SINTER PLAST CONTAINERS

Plastics Division: **The Bharat Vijay Mills Ltd.,**
KALOL (N. GUJARAT) 382721
Phone: (02764),2228,3144,3145 Gram: "SINTEX"
Telex: 01205-202 SPC IN Fax: (02764) 2436

Sintex WORLD'S NO.1 PLASTIC TANKS

Offices At :- Ahmedabad • Baroda • Bombay • Bhopal • Calcutta • New Delhi • Hyderabad • Jaipur • Lucknow • Madras

collective turnover of Rs 165 crores in 1989-90. To facilitate growth, brother Dilip Mehta has already settled in Antwerp besides setting up a diamond cutting factory in Sri Lanka.

FAMILY'S ROLE

The family, as can be seen, plays a crucial role. Says Bharat Shah of B.Vijaykumar & Co, the largest exporter of diamonds in 1988-89 (score: Rs 71 crores): "Our kind of business is based on trust and that we can have only in our family members and brothers in the community." Shah, who has a brother based in Antwerp helping expand business opportunities, is certain that his business will remain family oriented. (Long before India's other industrialists discovered the benefits of becoming non-resident Indians — NRIs — diamond merchants were already into it. Jatin Mehta has his father based in Antwerp. The reason why an NRI status is necessary is simple: given a trade intensive industry like diamonds, money transactions are speedier than in India, what with its cumbersome procedures and exchange controls.)

This conservatism is what keeps diamond companies private, without too much capital being raised from the public. Although his company is listed on the Bombay stock exchange, Mehta of B.Arunkumar & Co. does not see much logic in going public. "There is no extra gain," he says, and adds: "We have enough finance to run our business."

To be sure, some diamond traders are coming out of their shells. Jatin Mehta, who is also chairman of Su-Raj Diamond Industries, is one of them. "We were the first to go public three years back. If we want to grow bigger, we must come out of our private closet," says he. The investing public certainly approves. Around mid-May, Su-Raj's Rs 10 shares were quoting at 10 times their face value.

Shreyas Doshi of Shrenuj & Co. also went the Mehta way. When his company went public last year, the issue was oversubscribed 31 times. "We want to bcome a corporate house. We want to diversify into diamond-studded jewellery and fancy diamonds," says Doshi explaining, why he tapped public capital. His current annual sales turnover is around Rs 22 crores.

In part, this partial trend towards going public has been prompted by a governmental requirement that specifies that only public limited companies with an average export turnover of Rs 10 crores in three consecutive years will qualify for bulk import licences. Private limited companies and proprietary and partnership firms have a higher eligibility floor : Rs 15 crores. Which means that the big boys may not have any great incentive or disincentive to go public. At last count, thus, the Bombay stock exchange had only five diamond companies listed on it.



Courtesy Solitaire International

While being private or public may not prove a real drag on growth, what may hurt the interests of Indian exporters is DTC's policy of giving Indian 'sightholders' access to only the smaller diamonds. (A sight is basically an entitlement to a range of diamonds offered by DTC for sale. Sightholders cannot pick and choose. They can only accept — and sometimes reject — a given package of diamonds.) Initially the offer of small diamonds was a boon since, with light overheads and low cost labour, Indian firms were the best placed in the world to add value by cutting and polishing the stones cheaply. But now that India has already ascended the commanding heights of the business in smalls, it must graduate to bigger diamonds, including investment grade stones. "Otherwise, we will lose out on value addition," says Jatin Mehta.

Earlier, DTC was denying India bigger diamonds on the plea that the labour intensive

Our kind of business is based on trust — and that we can have only in our family members and brothers in the community

Bharat Shah
B. Vijaykumar & Co.



A glowing star on PNB's horizon
completes a capital year.

PNB CAPS

offers you the entire gamut of financial services :

* Equipment Leasing
* Management of Capital Issues
* Project Formulation and Loans Syndication
* Trusteeship
* Investment Management
* Services for Sick Industrial Undertakings
* Mergers and Amalgamations
* Raising Foreign Currency Loans.

PNB CAPS for all round excellence

Sobhagya/146/89

PNB CAPITAL SERVICES LIMITED

(a wholly owned subsidiary of Punjab National Bank)
Jeevan Bharti Tower-II Level 3 New Delhi-110 001
Phone : 3315644, 3315670 Telex : 031-66229 PCAP IN



methods in vogue here were not suitable for them. "But now," says Mehta, "we are introducing modern technology. We want to do more business in the sawn varieties." (A machine cut sawable stone gives a higher finished yield and a more brilliant cut.) Thus far, the DTC has proved hard of hearing. The bulk of the sawns continue to go to Israel and Belgium for cutting and polishing and the largest diamonds end up at New York, which is the centre for high-value stuff.

But before the industry can think of pressuring the DTC for higher grade stones, it must decide what needs to be done with the army of poorly paid artisans who built the industry in the first place. The industry has often faced criticism that little of its prosperity has rubbed off on the cutters and polishers who constitute the backbone. The industry employs over 1 million workers, including skilled and semi-skilled artisans, but the bulk of them work in dingy *galas* in inadequate light conditions, thus endangering health.

Around 70 % of the cutting centres are based in Surat, Navsari and Palanpur in Gujarat. Since the workers are largely unorganised and do work on a job basis, they deal only with middlemen. "These contractors are known to exploit the artisans," agrees Jatin Mehta, but adds that by and large the workers make a fairly decent living, earning around Rs 2,000-3,000 per month. The averages, however, conceal more than they reveal. Novices, for example, earn as little as Rs 5-6 per stone, but skilled and efficient artisans could earn as much as Rs 20-50 for cutting. For larger stones, they may even earn Rs 100-200 per piece.

LASER TECHNOLOGY

With workers now begining to get organised (a Heera Mazdoor Union is in existence), diamond industrialists are taking steps to reduce dependence on labour, with some firms introducing laser technology for cutting. Shreyas Doshi is one of them. "Where conventinal cutting takes three months, we can finish the job in 15 days," says Doshi. "Our foreign buyers now want us to give them larger diamonds and even fancies (diamonds with different shapes and cuts). There is a big market for these."

A good diamond, say the experts, is one which has the best of the four c's: carat, clarity, cut and colour. India is strong in the middle two c's; in the other two it has not yet had an opportunity to prove itself. Reason: at the moment only low-carat diamonds come to India and the best coloured diamonds (violets, clean blues, pinks and greens) go elsewhere. Indian exporters have been clamouring for these, but without too much success.

Meanwhile, a new competitive threat looms in the form of the south-east Asians. Enthused by the success of the Indian diamond industry, they have wasted little time in setting up cutting and polishing units. China, Thailand, Sri Lanka and Malaysia are the new diamond hopefuls, and DTC has not disappointed them. "Most of the units in these coutries are being set up by Indians residing in Antwerp," says Arun Mehta of B.Arunkumar & Co. Adds Jatin Mehta: "If the tax officials here keep harassing the diamond exporters, it won't be long before many of us migrate to those countries." According to him, the incentives offered by these countries are attractive enough to lure Indian entrepreneurs. While Sri Lanka and Thailand offer low interest loans (10% and 3%), China offers land practically free apart from providing credit facilities.

Jatin Mehta may just be crying wolf, for there is little chance that the government — with a balance of payments problem to solve — will willingly kill the golden goose that lays export eggs.

■ *Maya Rai Choudhuri*

If the tax officials here keep harassing the diamond exporters, it won't be long before many of us migrate to those (south-east Asian) countries

Jatin Mehta

chairman,
Gem & Jewellery Export Promotion Council

ASCI

ADMINISTRATIVE STAFF COLLEGE OF INDIA

announces the following programmes

MANAGEMENT BY OBJECTIVES
(July 24 to 29, 1989)

Eligibility: Chief Executives, Senior Managers with general management responsibility — Chairman/Managing Directors, General Managers, Heads of departments in industry and Banks; Secretaries/Directors of important departments in Government.

Seminar Director
Dr. I G Kannan

Last date for nomination
June 24, 1989

FINANCE FOR NON-FINANCIAL EXECUTIVES
(July 31 to August 5, 1989)

Eligibility: Non Financial Executives in Senior/middle level positions Directors, Managers in charge of Production, Marketing, Personnel, Research and General Administration

Programme Director
Prof. S B Mathur

Last date for nomination
June 30, 1989

MANAGEMENT OF R&D SYSTEMS
(August 7 to 12, 1989)

Eligibility: Directors/Managers of 'R&D' Units; Senior Scientists from Industry, Central and State Government Departments and National Laboratories.

Course Director
Dr. B Bowonder

Last date for nomination
July 7, 1989

MANAGEMENT OF HUMAN RESOURCES
(August 7 to 19, 1989)

Eligibility: Senior/Middle level executives from Public or Private Sector Organisations, Financial Institutions and Government Departments.

Seminar Director
Mir Zahiruddin Ali Khan

Last date for nomination
July 7, 1989

PROGRAMME FOR YOUNG MANAGERS
(August 7 to September 2, 1989)

Eligibility: Young managers with at least five years' experience as an executive in the age group of 25-35 — Manager, Deputy Manager, Senior Engineer in Production, Engineering, Marketing, Personnel, Finance, R&D functions.

Programme Director
Shivaji Gupta Roy

Last date for nomination
July 7, 1989

Organisational sponsorship is essential

For brochures, nomination form and fee particulars, please write to:

Programmes Officer
Administrative Staff College of India
Bella Vista, Hyderabad 500 049

Phone : 36952/56 Extn: 247
Grams: BELLAVISTA
Telex: HYD 0425-6390



ASC/ASCI/0053

ASCI: The College for Practising Managers

NEW ISSUES

East-Coast Steel Ltd. (ESL) was incorporated on 20 April 1982 as Chudiwala Steels Ltd. It is controlled and managed by Western Mini Stil (WML), whose mini steel plant has been rated by Mecon as state-of-the-art. Thus ESL can avail of WML's expertise and experience while setting up its steel plant at Pondicherry to manufacture billets.

The plant capacity is 62,500 tonnes per annum (tpa) of mild steel billets, medium carbon steel billets and spring steel billets in the 100-180 mm^2 cross-section and 3-5 mt length range. These items serve as raw materials for rolling mills and forging plants which use them to make bar rods, flat products etc. Currently, the demand estimate for these kind of billets is 1.604 million tpa.

The company's plant will have a modern eccentric bottom tapping type electric arc furnace and a continuous billet casting machine. These are available indigenously through ISPL Industries Ltd. which is manufacturing them under licence from Mannesmann Demag of West Germany. The raw materials for the project are steel scrap and sponge iron and consumables like ferro silicon, ferro manganese etc. Commercial production is to commence in July 1989.

Of the total project cost of Rs 10.25 crores, the equity component will be Rs 3.20 crores. With the backing of WML, the prospects for ESL appear reasonably good for long term investment.
Issue opening date: 22 May 1989.

Pharmaceutical Products of India, promoted by M.K.Raina & Associates, is engaged in the manufacture and marketing of a wide range of pharmaceutical formulations and bulk drugs. Currently, the company is getting its formulations manufactured under loan licence arrangements. Its products include antibiotic capsules and a haematinic syrup sold under the brandname 'AC 500' and Richtone respectively.

The company is now setting up a bulk drug unit with multi-purpose plant and machinery and a formulation unit in the MIDC industrial area at Tarapur in Maharashtra. Initially the bulk unit will manufacture trimenthoprim. The project cost is estimated at Rs 1.56 crores of which the equity component will be Rs 1 crore.

For the year ended March 1989, the company has chalked up a turnover of Rs 60.1 lakhs and a pre-tax profit of Rs 3.14 lakhs. In the current year, turnover has been projected at Rs 2.50 crores. However, the prospect of a dividend is dim. It is advisable to wait and watch till the profits for the current year are announced.
Issue opening date: 31 May 1989

There are a handful of new issues worth investing in. Many of them are of existing, profit-making companies

Indian Maize & Chemicals has been promoted in the joint sector by Ferro Alloys Corporation Ltd. (Facor) and The Pradeshiya Industrial & Investment Corporation of UP Ltd. (Picup) to manufacture corn derivatives in the Bulandshahr district of Uttar Pradesh.

The project, which has been promoted in technical collaboration with Starcosa Gmbh of West Germany, will process 100 tonnes of corn per day. The product-wise capacities are: modified starches (3,300 tpa), glucose syrup (6,600 tpa), dextrose monohydrate (6,600 tpa of which 1,650 tpa will be converted into glucose D), dextrose anhydrous (1,650 tpa), maltodextrin (1,650 tpa) and refined corn oil (750 tpa).

A novel feature of the project is the significant recovery of by-products which are about 30% of the inputs on dry basis. Requirement of the raw material, corn, will be met by the state itself as Uttar Pradesh produces one fifth of the total corn in India. The company is going in for value-added corn derivatives which are largely used by the food and pharmaceutical industries.

Commercial production is expected to commence around October 1989. Of the total project cost of Rs 22.50 crores, the equity capital will be Rs 8.66 crores.

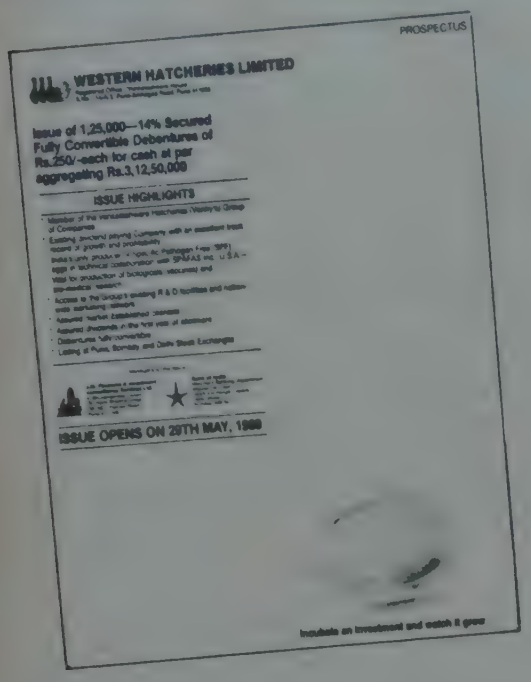
Facor has a fairly sound track record. It is the largest producer and exporter of ferro alloys in India. With Facor as its parent company, the offspring is expected to do well in the long run.
Issue opening date: 31 May 1989.

Western Hatcheries was incorporated on 1 July 1976 as a private limited company for breeding poultry. The company went public only last year.

Western Hatcheries is part of the Venkateshwara Hatcheries group which was established in 1971. It is currently engaged in the business of poultry breeding and production of SPF eggs. The poultry division of the company consists of a breeding farm and hatchery and is situated in Naigaon village near Pune. The capacity of the breeding farm is 20,000 broiler parents always in lay. The company purchases day-old broiler parents, and rears them for 24 weeks. The hatching eggs produced from these parents are incubated in machines for commercial broiler chicks.

The SPF eggs division which commenced commercial production in May 1985 is the only commercial producer of SPF chicken embryos in India. The installed capacity of

this division is 3 lakh SPF eggs per annum. These eggs are used in the production of poultry and other animal vaccines and certain human vaccines. The company has entered into a technical collaboration with Spafas Inc. of Connecticut, USA, which is one of the major producers and suppliers of SPF eggs worldwide.


PROSPECTUS

WESTERN HATCHERIES LIMITED

Issue of 1,25,000—14% Secured Fully Convertible Debentures of Rs.250/-each for cash at par aggregating Rs.3,12,50,000

ISSUE HIGHLIGHTS

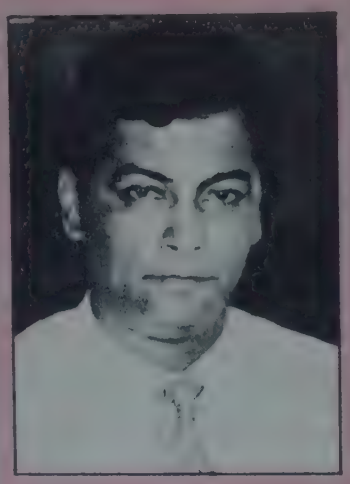
ISSUE OPENS ON 29TH MAY, 1989

With the rapid development of technology in the international poultry scene, there is a trend in advanced countries towards setting up central grower farms, central laying farms and central hatcheries. Such central farms/ hatcheries have lower mortality rates, improved overall production, efficiency and enjoy all the benefits of specialisation and economies of scale. The activities of the Venkateswara group are being expanded on these lines. The company is also setting up a project for the manufacture of poultry and other animal feeds and health products.

The total project cost is estimated at Rs 10 crores. It is expected to be commissioned by the end of April 1990. To part-finance the project, the company is issuing 1.25 lakh 14% fully convertible debentures of Rs 250 each aggregating Rs 3.12 crores. Out of the face value of Rs 250, Rs 80 will be converted on allotment into five shares at a premium of Rs 6 per share. The balance Rs 170 will be converted into equity shares two years after allotment.

The company's financial track record has been excellent. The turnover has spurted from Rs 42.79 lakhs in the year ended 30 June 1984 to Rs 246.90 lakhs in 1987-88. While the gross profit was Rs 74.02 lakhs (Rs 8.36 lakhs in the previous period), net profit worked out to Rs 43.69 lakhs (Rs 2.60 lakhs). The earnings per share has risen to Rs 43.69 (Rs 2.60) and the net worth per share to Rs 103.19 (Rs 19.67). The issue appears attractive.

Issue opening date: 29 May 1989.



Gangadharam Appliances, promoted by V. Murugesa Chettiar and his sons, is implementing a project in the Chenglepet district in Tamil Nadu. It will manufacture 2.10 lakh pressure cookers, 1.05 lakh pressure pans and 2 lakh vacuum flasks per annum. The project is estimated to cost Rs 450 lakhs and is being financed by an equity capital of Rs 180 lakhs. Trial production is expected to commence in June and commercial production in July. The products will be manufactured under the brandname 'Butterfly', which is a well established name in South and West India.

Competition in the household appliances industry has been severe and it has been a strain on profit margins. Hawkins, a leading manufacturer of household appliances, went public in 1978 by issuing shares at a premium of Rs 2.50 per share. In the past 10 years the company issued bonus shares twice. On an investment of 100 shares, the investment would have grown five times. However, Gangadharam Appliances cannot be put in the same league as Hawkins. The returns to Hawkins' shareholders have been good mainly due to the liberal policy pursued by the management. Gangadharam is a new entrant and the policies are yet unknown. It would be better to wait and watch.
Issue opening date: 1 June 1989.

Gujarat Refractories, set up in 1985 and promoted by Rajnikant K. Gandhi and Mitesh R. Gandhi, is engaged in the manufacture of high alumina bricks with a capacity of 7,300 tpa.

The company is now entering the second phase of its diversification programme with the manufacture of other types of refractories, in particular, insulating and magnesite ones. The project cost is Rs 2.75 crores. The end products are used by various industries like steel, cement, glass, sugar, fertilisers, petrochemicals and various non-ferrous industries. The plant capacities to manufacture magnesite and insulating refractories are 8,000 tpa and 4,000 tpa respectively.

The first phase of the project, which costs Rs 90 lakhs, has already been commissioned and operations commenced in March 1988. The second phase is expected to go on stream by December 1990. To part-finance the project, the company is issuing equity shares worth Rs 1.24 crores.

The other companies in this field have not rewarded their shareholders. So it would be wise to wait and watch the performance of the company.
Issue opening date: 30 May.

■ *Clifton Desilva*
The author is a Bombay-based investment manager.

REACTION SETS IN

With Tisco taking the lead, equity values have reacted. Technical analysts had predicted the current reaction and, according to them, the index may move down further. However, long term investors ought not to panic as any fall in the indices is always in a step fashion.

There are very few scrips to recommend in the current scenario. However, some long term picks can be made at the recommended price.

JBF Industries Ltd. (sales: Rs 26.24 crores for the year ended 30 June 1988) is currently quoted at Rs 59. The counter qualifies as a good long term investment at Rs 50. The company was promoted by the Arya group as JBF Synthetics in 1982. The name has recently been changed to JBF Industries because of diversifications.

The company went public in 1986. It has yarn processing facilities at Mahad and Silvassa. Its chemical manufacturing unit is at Pondicherry. The products manufactured are methyldopa, a bulk drug and trichloroethylene, an industrial solvent. The JBF has entered into a collaboration with Intertech Research Corporation of the US for methyldopa. There is a buyback arrangement for the first five years.

QUANTUM IMPROVEMENT

JBF's equity base today stands at Rs 1.95 crores after the issue of rights shares and convertible debentures. It reported a profit of Rs 2.18 crores in 1987-88. Thus the earnings per share (EPS) was about Rs 11.2. The company declared a dividend of 22%. Performance for the half year ended 31 December 1988 has shown a quantum improvement with sales at Rs 21.22 crores. Based on the previous year's profitability, the EPS is likely to hit the Rs 15 mark.

JBF has also got into the business of exporting garments and has notched up Rs 12 crores this way. Exports of methyldopa will improve the bottomline further.

The present market scenario, however, demands that certain shares with no fundamentals ought to be disposed of. One such share which can go down to probably Rs 27-28 is **Hindustan Motors Ltd.** (sales: Rs 467.68 crores for the year ended 31 March 1988). The scrip is quoted at about Rs 43 on the Bombay stock exchange (BSE). Hindustan Motors (HM) manufactures passenger cars, trucks, excavators and earth moving equipment. The company's equity is Rs 26.33 crores and the EPS is negative. (The company posted a loss of Rs 2.69 crores in 1988.)



With the equity index expected to move down further, investors are advised to shun high priced scrips and book profits on recent hyper-active counters

HM's half-yearly results have also been disappointing and the gross profit margin has slipped to only 0.2%. Hence, the loss will only increase. Despite such poor performance, the counter is quoted at Rs 43. It would be prudent to sell off this share.

Despite the good response the Contessa Classic model has received, the company's new production facility in Gujarat is likely to add to the growing problems. This unit is likely to show poor results and hence the loss is expected to go up to about Rs 7.5 crores. Thus it would be a wise decision for investors to get out while the going is good.

STAGNANT INDICATORS

Max India Ltd. (sales:Rs 25.53 crores for the year ended September 1988) is currently quoted at Rs 84 on the BSE. Max India produces 7-ADCA and 6-APA (intermediates) which are used to produce end products like Cephalexin and other vital medicines. Turnover is up 44% in 1988 as compared to the previous year. Although the gross margin has improved to 12.6% (5.5% in the previous year), there is a higher allocation for depreciation and a sharp drop of Rs 1 crore in "other income." The EPS has thus remained static and the profitability indicators are also stagnant.

The company's plant for phenyl/acetic acid (recovery plant from disposable effluents) is on schedule. Further, with the government slapping countervailing duty on 7-ADCA, domestic sales may improve.

However, the recent diversification into the manufacture of BOPP film, adhesives, sealants and biocatalysts has been discounted in the current price of Rs 84. The BOPP film industry is facing rough weather. The scrip, which peaked at Rs 44 in 1988, has now moved up to Rs 84 with no significant change in the fundamentals. It would be advisable to book profits.

In short, today's prescription is to shun high priced shares and book profits in counters which have appreciated by 100% during the past 14 months. Although it can be argued that certain blue chips may rise further, the reaction will be sharper than the rise.

■ *Gul Teckchandani*

The author is a Bombay-based financial consultant

BUSINESSWORLD STOCKMARKET TABLE

	INDUSTRY/COMPANY	FACE VALUE (Rs)	YEAR ENDED	SALES (Rs crores)	EQUITY CAPITAL (Rs crores)	COMPOUND GROWTH OVER 5 YRS (%) IN EARNINGS	COMPOUND GROWTH OVER 5 YRS (%) IN DIVIDENDS	EPS (Rs)	P/E 12 MAY	P/B.V 12 MAY	PAYOUT	SHARE PRICE 12 MAY (Rs)	MK.CAP 12 MAY (Rs crores)	%CH.CAP Over 28 APR
I.	**AUTO ANC & TYRES**													
1.	CEAT	10	30.06.88	364.38	14.76	41.22	20.49	13.60	10.37	2.84	0.15	**141.00**	208.12	2.76
2.	CHLORIDE	10	31.12.88	188.40	20.66	13.29	17.42	5.05	16.63	4.67	0.61	**84.00**	173.54	0.00
3.	MICO	100	31.12.87	183.73	38.05	18.24	10.22	33.88	18.00	2.80	0.35	**610.00**	232.11	-4.69
4.	MODI RUBBER	10	30/04/88	400.13	14.53	23.21	4.76	10.20	9.93	2.62	0.18	**101.25**	147.14	13.83
II.	**BASIC CHEMICALS**													
5.	NOCIL	100	31.12.87	288.10	36.00	49.84	16.14	48.22	17.21	3.26	0.41	**830.00**	298.80	-8.29
6.	TATA CHEM	10	31/03/88	230.40	36.19	-8.63	27.27	2.03	57.64	2.27	1.48	**117.00**	423.42	-2.91
III.	**BASIC METALS**													
7.	HINDALCO	10	31/12/87	372.05	17.81	39.94	9.89	11.48	26.13	7.00	0.15	**300.00**	534.26	5.51
8.	INDIA FOILS	10	31.12.87	104.90	4.38	16.20	18.83	4.79	14.61	1.71	0.44	**70.00**	30.66	0.00
9.	MUKAND	10	30.06.88	303.02	14.74	20.11	12.76	8.08	13.74	7.21	0.21	**111.00**	163.61	10.12
10.	TISCO	100	31/03/88	1526.78	155.89	8.51	14.28	59.11	22.42	3.11	0.33	**1325.00**	2065.54	8.93
IV.	**CEMENT**													
11.	ANDHRA CEMENT	10	31/03/88	43.55	11.94	N.A.	-100.00	-11.93	-0.92	1.42	0.00	**11.00**	13.13	4.37
12.	ACC	100	31.07.88	798.13	55.96	19.68	-3.67	12.24	26.63	0.88	0.64	**326.00**	182.43	4.82
V.	**CHEM INTERMEDIATES**													
13	BASF	10	31.12.87	59.30	4.26	10.15	15.88	4.83	30.85	4.54	0.28	**149.00**	63.47	0.67
14	COLOUR CHEM	100	31.03.88	86.51	7.94	10.81	4.63	37.53	13.19	1.95	0.53	**495.00**	39.30	1.00
15.	DEEPAK NITRITE	10	31/10/87	23.60	2.43	10.30	5.05	3.99	19.30	2.91	0.36	**77.00**	18.71	-1.27
VI.	**COMM VEHICLES**													
16.	BAJAJ TEMPO	10	30/09/87	152.91	6.58	-25.31	4.06	2.64	54.45	1.95	0.47	**143.75**	94.59	2.68
17.	MAH & MAH	10	31/10/87	599.28	19.26	1.11	9.40	5.76	17.53	2.18	0.38	**101.00**	194.53	5.60
18.	TELCO	100	31/03/88	1402.55	90.97	4.92	12.24	29.63	28.10	2.81	0.48	**832.50**	757.33	-4.31
VII.	**CONS DURABLES**													
19	ASIAN PAINTS	10	31.12.87	201.72	12.45	32.95	30.02	10.07	18.62	5.16	0.30	**187.50**	233.44	-6.83
20	PEICO	10	31/12/87	385.93	33.32	1.54	8.12	1.04	22.12	1.18	0.96	**23.00**	76.64	-17.86
21	VIP INDUSTRIES	10	31/07/88	67.42	5.99	-4.21	N.A.	1.22	15.57	1.00	1.23	**19.00**	11.38	0.00
VIII.	**COTTON TEXT**													
22.	CENTURY SPG	100	31/12/88	521.27	26.62	15.65	14.96	97.82	18.71	3.10	0.31	**1830.00**	487.15	-3.68
23	MADURA COATS	10	30.06.88	258.49	21.81	11.31	15.56	6.49	15.41	3.45	0.46	**100.00**	218.10	1.01
24	RAYMONDS	10	31/03/88	235.71	22.48	15.95	34.70	3.43	23.42	2.57	0.73	**80.00**	179.84	-1.84
IX.	**DOMES CONS PROD**													
25	COLGATE	10	31/12/87	182.20	15.72	27.89	24.19	9.63	34.66	16.98	0.52	**333.75**	524.66	-3.96
26	HINDUSTAN LEVER	10	31.12.88	845.41	93.32	11.61	23.44	5.23	15.58	3.76	0.61	**81.50**	760.56	-0.61
27	ITC	10	30.06.88	1190.45	33.17	20.17	13.21	7.47	12.85	3.45	0.47	**96.00**	318.43	1.05
28	McDOWELL	10	30/06/88	157.19	7.74	-1.73	39.89	9.23	10.83	1.89	0.18	**100.00**	77.40	2.56
29	RECK & COLMAN	10	03/01/89	71.39	8.40	25.00	27.05	8.10	23.46	7.23	0.37	**190.00**	159.60	-1.30
X	**ELEC. ENGG**													
30.	BEST & CROMP	10	31/12/87	169.21	7.09	-20.75	-7.07	1.10	38.18	1.15	0.58	**42.00**	29.78	-6.68
31.	FINOLEX CAB	10	30/11/87	60.58	3.24	50.69	32.42	25.22	14.27	7.00	0.09	**360.00**	116.64	0.00
32	GENELEC	10	30/06/88	52.70	2.16	12.13	-0.86	6.48	6.94	1.27	0.23	**45.00**	9.72	-5.26
33.	OTIS	10	30/11/87	54.28	5.04	18.55	15.36	7.58	26.39	6.88	0.33	**200.00**	100.80	3.90
34.	SIEMENS	10	30/09/88	223.00	20.77	4.23	11.29	3.27	22.94	1.97	0.49	**75.00**	155.78	-3.85
XI	**EQUIP MANUF**													
35	INGERSOLL	10	31/12/87	77.14	7.89	21.93	15.81	10.99	31.16	9.25	0.27	**342.50**	270.23	-4.86
36	KIRLOS CUMM	10	30/09/88	186.20	26.40	6.01	20.56	4.32	17.36	2.87	0.52	**75.00**	198.00	0.00
37	MATHER & PLATT	10	30/06/88	46.92	10.24	15.18	16.31	3.60	12.78	2.82	0.43	**46.00**	47.10	-6.14
XII.	**FERTILISER**													
38.	GSFC	10	31/12/87	357.40	26.94	23.47	15.88	13.07	10.81	1.93	0.23	**141.25**	380.47	-3.42
39.	SPIC	10	31/12/87	391.00	34.42	-23.16	N.A.	1.47	38.10	1.90	1.01	**56.00**	192.75	-5.09
XIII.	**FOOD PROD**													
40.	BRITANNIA	10	30/11/87	192.10	12.38	23.92	16.60	6.37	15.70	3.71	0.38	**100.00**	123.80	-2.44
41.	BROOKE BOND	10	30/12/88	639.94	24.73	24.33	15.97	9.84	14.74	5.07	0.38	**145.00**	358.59	-4.92
42.	HIND COCOA	10	30/06/88	73.70	8.40	16.55	21.10	4.45	23.03	4.80	0.45	**102.50**	86.10	-6.39

EQUITIES NOSEDIVE

Equities on the stock exchanges nosedived on nervous bull liquidation coupled with bear hammering during the fortnight ended 12 May. Abnormally high contango charges of nearly 4%-5% per month at Ahmedabad and Calcutta demoralised the market sentiment. Fear of early general elections and payment problems in Bombay also adversely affected the trend.

Confirming the depressed trend in equities, *The Economic Times* index of ordinary shares crashed from 415.6 on 28 April to 396 on 12 May — a sharp fall of 4.71%. While the *Financial Express* equity index dropped from 611.52 to 577.66, the *BusinessWorld* index fell from 209.19 to 196.96 during the same period.

The highlight of trading during the fortnight was the crash in Tata Steel which plunged from Rs 1,455 to Rs 1,325 (8.93%) on brisk offerings from

BUSINESSWORLD STOCKMARKET TABLE

	INDUSTRY/COMPANY	FACE VALUE (Rs)	YEAR ENDED	SALES (Rs crores)	EQUITY CAPITAL (Rs crores)	COMPOUND GROWTH OVER 5 YRS IN EARNINGS	COMPOUND GROWTH OVER 5 YRS IN DIVIDENDS	EPS (Rs)	P E 12 MAY	P B.V 12 MAY	PAYOUT	SHARE PRICE 12 MAY (Rs)	MK CAP 12 MAY (Rs crores)	%CH CAP Over 28 APR
XIV.	**HEAVY ENGG PROJ**													
43	ELECON ENGG	10	31/12/87	113.00	5.65	0.89	13.60	4.60	12.39	1.06	0.33	57.00	32.19	- 5.02
44	GAMMON	10	30/07/88	103.22	2.16	1.84	- 2.38	2.73	45.79	1.71	0.66	125.00	27.00	13.64
45	HIND DORR	10	30/11/87	42.66	2.38	25.48	14.03	16.43	8.83	2.60	0.23	145.00	34.51	- 3.33
46	ALFA LAVAL	10	30/11/87	51.00	5.21	15.13	15.63	5.37	23.74	3.28	0.34	127.50	66.43	4.09
XV	**LIGHT ENGG**													
47	SKF BEARING	100	31/12/87	83.86	12.35	15.64	7.60	87.77	28.48	7.21	0.25	2500.00	308.75	15.54
48	BHARAT FORGE	10	30/09/87	120.10	11.42	33.86	6.63	5.76	18.66	3.22	0.22	107.50	122.77	10.41
49	IND OXYGEN	10	30/09/87	131.00	14.60	9.51	1.03	2.16	22.69	2.31	0.74	49.00	71.54	2.00
50	SANDVIK ASIA	100	31/12/88	45.81	5.78	9.31	12.33	46.89	15.14	2.81	0.53	710.00	41.04	5.53
XVI.	**MULTI PRODUCTS**													
51	IEL	10	30/09/87	478.41	40.87	17.55	- 3.37	1.24	50.00	2.20	1.06	62.00	253.39	0.00
52	LARSEN & TOUBRO	10	30/09/87	573.10	60.75	7.47	15.43	4.55	19.78	2.45	0.41	90.00	546.75	- 12.62
53	RALLIS	10	31/05/88	261.66	9.52	14.72	20.80	4.86	28.81	3.49	0.62	140.00	133.28	0.00
54	VOLTAS	100	31/08/88	544.70	12.78	16.68	12.34	75.89	8.70	1.91	0.29	660.00	84.35	4.34
XVII.	**PASS VEHICLES**													
55	BAJAJ AUTO	10	30/06/88	552.83	18.82	30.54	28.68	15.54	26.06	3.54	0.26	405.00	762.21	- 8.22
56	KINETIC ENGG	10	30/06/88	101.91	1.20	22.51	21.92	31.33	5.83	1.13	0.13	182.50	21.90	1.35
57	HIND MOTORS	10	31/03/88	429.99	26.41	NA	- 7.20	- 1.02	39.71	1.35	0.74	40.50	106.96	- 16.92
XVIII.	**PEST & AGROCHEM**													
58	BAYER	100	31/12/87	111.70	16.22	9.38	12.80	27.19	30.89	4.98	0.59	840.00	136.25	3.44
59	SEARLE	10	31/12/87	35.00	5.22	35.23	20.34	5.34	21.54	2.95	0.25	115.00	60.03	8.00
XIX.	**PHARMA**													
60	GLINDIA	10	30/06/88	230.13	20.00	14.50	8.10	5.08	18.80	4.01	0.39	95.50	191.00	8.17
61	HIND CIBA	100	31/12/87	176.80	17.71	6.26	13.26	38.17	26.72	3.65	0.52	1020.00	180.64	5.56
62	HOECHST	100	31/12/87	158.81	9.58	- 16.27	- 6.52	13.67	58.52	2.16	0.73	800.00	76.64	8.05
XX.	**PLANTATIONS**													
63	ASSAM CO	10	30/06/88	46.88	7.00	39.73	42.02	7.59	20.42	3.92	0.53	155.00	108.50	1.64
64	McLEOD RUSSEL	10	30/06/88	61.50	6.25	34.22	24.65	10.32	10.17	2.29	0.35	105.00	65.63	4.54
65	TATA TEA	10	31/12/87	151.10	12.20	24.81	N.A	9.04	16.76	2.76	0.50	151.50	184.83	4.11
XXI.	**PLASTICS & PAPER**													
66	BALLARPUR	10	30/06/88	371.00	13.98	- 3.45	- 1.17	3.44	50.15	2.97	0.64	172.50	241.16	2.27
67	BHADRACHALAM	10	30/09/87	48.85	10.57	- 4.64	7.84	4.16	19.23	3.33	2.00	80.00	84.56	6.66
68	GARWARE POLY	10	30/06/88	102.82	10.94	19.25	23.48	5.29	13.23	2.16	0.29	70.00	76.58	8.20
69	SUPREME IND	10	30/06/88	68.92	1.80	32.68	31.43	18.67	11.78	4.82	0.19	220.00	39.60	4.76
XXII.	**POWER GENERATION**													
70	CAL ELEC SUPP	10	31/03/88	358.72	16.95	9.44	10.82	4.93	5.68	0.56	0.32	28.00	47.46	19.16
71	TATA POWER	100	31/03/88	342.42	20.00	14.09	11.91	86.10	3.89	0.70	0.21	335.00	67.00	- 9.46
XXIII.	**SERVICE IND**													
72	EAST IND HOTELS	10	31/03/88	80.25	23.61	1.77	3.69	2.94	19.05	2.08	0.52	56.00	132.22	- 1.75
73	HDFC	100	30/06/88	106.20	19.79	33.12	27.37	65.45	3.03	0.91	0.26	198.00	39.18	0.51
74	20TH CENT FIN	10	30/03/88	28.02	8.88	23.76	49.01	3.16	6.65	1.00	0.85	21.00	18.65	23.51
75	TATA UNISYS	10	30/12/87	27.12	4.38	- 1.18	12.19	3.54	20.48	3.97	0.62	72.50	31.76	0.00
XXIV.	**SHIPPING**													
76	ESSAR SHIP	10	31/12/87	60.50	33.42	8.46	25.04	2.33	9.98	1.09	0.86	23.25	77.70	4.12
77	GR EASTERN	10	30/06/88	112.55	55.66	12.54	7.85	1.69	23.67	2.35	0.51	40.00	222.64	- 9.61
XXV	**SYNTHETIC TEXTILES**													
78	CENTURY ENKA	100	31/12/88	308.79	16.61	37.53	20.82	223.24	11.65	3.86	0.19	2600.00	431.86	- 8.77
79	GRASIM	10	31/03/88	675.67	37.78	16.35	6.46	4.39	28.47	3.16	0.36	125.00	472.28	7.41
80	RELIANCE	10	30/06/88	1778.19	152.04	15.36	42.28	3.45	35.65	1.84	0.70	123.00	1870.09	9.89
	TOTAL			22844.26	1773.56								18226.98	

BUSINESSWORLD INDEX (12 MAY) = 196.96 28 APR = 209.19 (BASE 29 JUNE 1987 = 100)

EPS - EARNINGS PER SHARE P E - PRICE EARNINGS RATIO P B V = MARKET PRICE TO BOOK VALUE %CH CAP PERCENTAGE CHANGE IN MARKET CAPITALISATION

prominent bull operators.

Man-made fibres displayed a downward trend on tired bull unloading, with the ET index for these scrips falling from 236 to 219.5 during the fortnight.

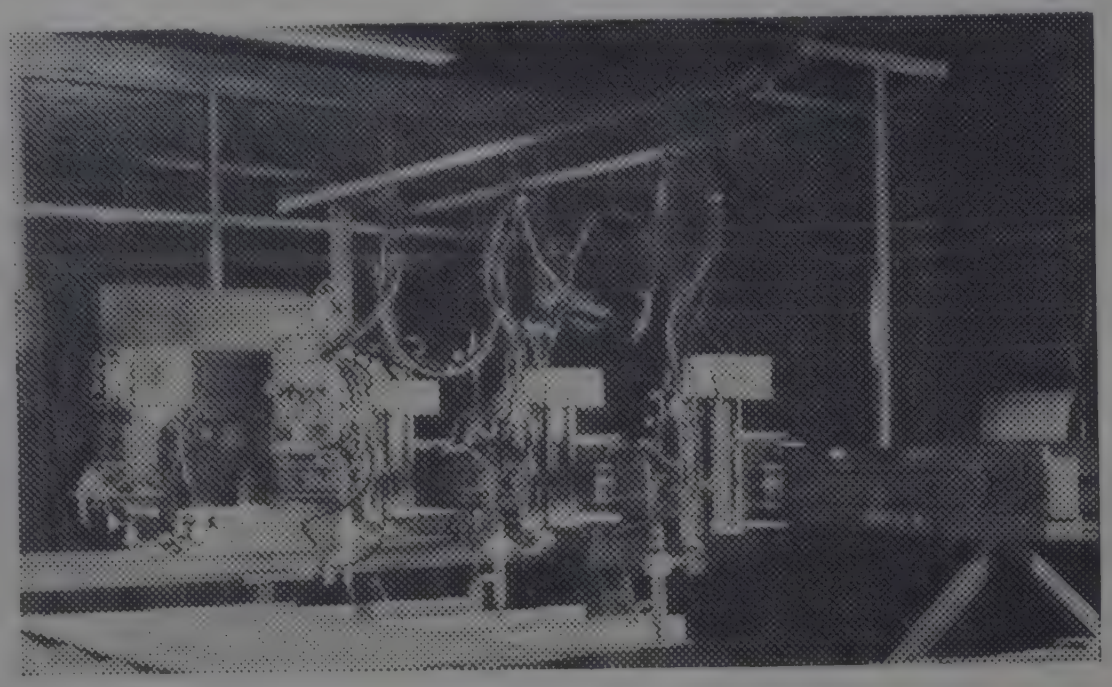
Fertilisers and chemicals shares lost further ground on nervous bull selling and even at this level they did not lure fresh buying. And the ET index for these scrips tumbled from 362.3 to 341. Pharmaceutical shares too attracted profit-taking

"The primary market should remain good as there is a positive response from small investors for select issues. And there shall not be any panic selling in equities that could shake up the confidence of small investors. The situation should improve after the onset of the monsoons," observes M.V. Shah, the general manager of ICICI.

■ *S. Dhruv*

IOL introduces CNC cutting in India

MAYUR SP FULL PORTAL CNC PROFILE CUTTING MACHINE.



The Mayur SP profile cutting machine can cut profiles of any length, in widths 1500 mm upwards

The Mayur SP Full Portal CNC Profile Cutting Machine represents the state-of-art in mild steel profile cutting. Productivity, positional accuracy, plate economy and space saving—Mayur SP scores over any optical tracer machine on all these counts. What's more, being run on a user-friendly computerised numerical controller, it does away with templates or elaborate drawings.

User – friendly CNC

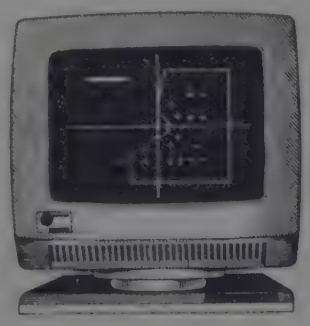
No more hassles with unwieldy templates or drawings. Programming is done easily through a dialogue format. Facilities such as MDI, Standard Shape, Teach-Trace, DNC and others available.

Higher Productivity

Since cutting operations are automatic through programmes, operator's involvement is minimal. This results in higher throughput.

Higher Positional Accuracy

As the Mayur CNC machine is not dependent on drawings or templates, input data accuracy is absolute, resulting in superior positional accuracy.



Excellent Plate Economy

IOL offers micro-FLAME part programming software which runs on IBM PC or compatibles. micro-FLAME ensures plate economy by efficient nesting and the cost of investment is recovered in short time by saving steel.

Superb Space Saving

The Mayur SP saves you precious shopfloor space compared to the optical tracer machine. Since you don't have to provide space for any drawings whatsoever.

The IOL Investment Protection

The Mayur SP is backed by IOL's free pre-sale consultation to help the customers optimise productivity in cutting of paltes.

Manufactured indigenously, Mayur SP is backed by IOL's quick after-sales network and prompt availability of spares at all machine locations. This ensures zero-trouble operations. What's more you don't have to worry about foreign exchange any more to enjoy the advantages of CNC cutting in India.

For details contact : Marketing Manager—Engineering Products

IOL

Indian Oxygen Limited

P 43 Taratala Road, Calcutta 700 088

A member of The BOC Group

CLARION C-IOX-CM-1

THE BUTTERFLY TAKES WING

V.M. Lakshminarayanan has a penchant for fast cars. He and his family have a clutch of Ford Falcons to pander to this passion. But in recent years, he has set his heart on blazing the track in a different arena: corporate growth. Lakshminarayanan, the eldest of five sons in a close-knit Chettiar family, wants to make his Madras-based Butterfly group soar like its mascot does in spring. His aim: to make the Rs 10 crore group 10 times bigger in half as many years.

The group, which has been ploughing its own quiet furrow in stainless steel fabrication and the manufacture of household goods for over 20 years, is slowly emerging from its cocoon to spread ambitious wings. "It's now time for consolidation and growth ," says Lakshminarayanan, managing director of the group, which enjoys an enviable reputation for quality spanning a range of products — from pressure cookers, gas ranges, mixies and utensils to water filters.

The Butterfly group, which has been ploughing its own quiet furrow in stainless steel fabrication and household goods manufacture for over 20 years , is slowly emerging from its cocoon to spread ambitious wings

With nine companies in its fold, the group's strengths lie in fashioning steel. The latest of these nine companies, Gangadharam Appliances Ltd., was formed last year to set up a Rs 4.5-crore project to manufacture stainless steel vacuum flasks at a new factory coming up 40 km south of Madras. "The initial capacity of our plant will be 3 lakh flasks a year, for which we will have advanced machine tools for micro plasma welding and vacuumisation," explains Lakshminarayanan.



THE ADMINISTRATIVE BUILDING OF BISWANATH METALS, THE FLAGSHIP COMPANY

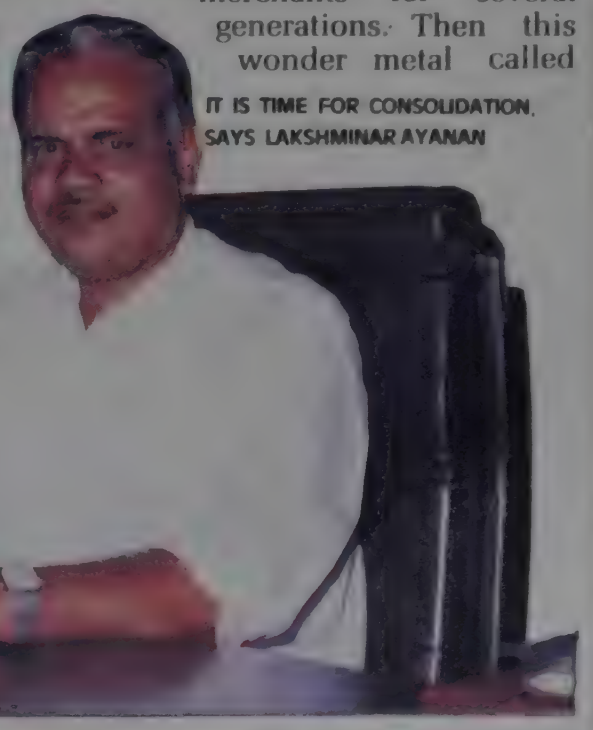
The flasks, which have a strong demand abroad as well as in the domestic market, are claimed to be superior to imported ones. As soon as the group developed an interest in producing these flasks, it went on a buying spree for vacuum pumps and experimented with imported flasks which were ripped open, devacuumised and then sealed again using in-house techniques. "The results have been very satisfying," says Lakshminarayanan. "The flasks we experimented on maintained temperatures for over 60 hours compared to 45 hours by imported ones."

Gangadharam Appliances will manufacture steel flasks and stainless steel pressure cookers, which the group already produces at its existing factory. The production of the latter is proposed to be consolidated under the new company, which is poised to go public shortly, says V.M. Balasubramaniam, a director and younger brother of Lakshminarayanan.

"Prospects for exports are bright and a US buyer is willing to underwrite our entire production. But we will sell locally first," declares Lakshminarayanan. One of its customers could be Unicef, which currently imports a large number of these flasks to supply frozen semen to the dairy industry.

PRODUCT EXTENSION

The group's strides in stainless steel products are but an extension of what was started as a brass vessels trading concern years ago by Lakshminarayanan's father, Murugesa Chettiar. Says Chettiar, "Anupparapalayam, where we hail from, along with Kumbakonam and Tirunelveli (all in Tamil Nadu) were the centres for the brass trade. We've been vessel merchants for several generations. Then this wonder metal called



IT IS TIME FOR CONSOLIDATION, SAYS LAKSHMINARAYANAN



How to settle your child's futur



Your child is special. And you want to give him the best education. But will you be able to afford it? Do some long term planning. Now. Invest your money sensibly.

It's true. People put their money into Tata Steel and just forget about it. It's amazing how much they've gained over the past eight years. A person who bought 5 shares worth Rs. 2000 in 1981 and made a further investment of Rs.2,550 is now the proud owner of 19 shares worth Rs. 25,674 (at the market rate as on April 20, 1989). Thanks to one rights issue, one convertible bond issue and two bonus issues. It isn't surprising, therefore, that people consider Tata Steel a great investment.

TATA STEEL

An 81 year young company built on a solid foundation of trust and reliability. Today, it is the No. 1 private sector company in gross profits and net sales. With over 100% capacity utilization. An achievement made possible by constantly updating its human and material resources. A matter of pride. And an incentive that has kept us forging ahead.

Today, we plan to invest Rs. 1500 crores in our new modernisation programme, partly financed by our Rights and Public Issue. We're doing all this with people who trust us. People like you. Who've put us at the top.

TATA STEEL

CONVERTIBLE DEBENTURE ISSUE

Rights Issue consists of 3,254,167–12% fully convertible debentures of Rs. 600 each at par aggregating Rs. 195.25 crores.

Each convertible debenture will be fully converted into one share of Rs. 100 at a premium of Rs. 500 within 6 months from the date of allotment of debentures.

Let your money

TATA STEEL

WE'VE REINFORCED OU

vithout wiping out yours.



grow with us.

CONVERTIBLE DEBENTURE ISSUE

TEEL WITH YOUR TRUST

RIGHTS ISSUE OPENS: MAY 16, '89
PUBLIC ISSUE OPENS: JUNE 5, '89

Public Issue consists of 3,000,000 partly convertible debentures, aggregating Rs. 360 crores. The face value of this debenture is Rs. 1200 with Rs. 600 convertible as in the Rights Issue. The balance Rs. 600 is non-convertible and will be redeemed at the end of 8 years from the date of allotment and carry interest at 12% per annum.

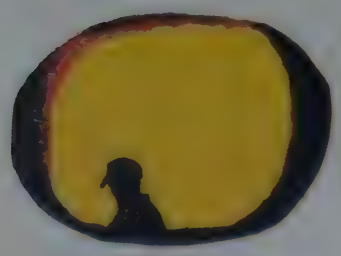
This is your big chance to make a sound investment.

FINANCIAL HIGHLIGHTS

	1988-89 (10 months unaudited)	1987-88	1986-87
	(Rs. in crores)		
Sales and other income	1405	1527	1416
Gross profit before depreciation and Tax	225	186	157
Profit before tax	153	112	100
Tax	24	20	12
Profit after tax	129	92	88
Gross fixed assets	1686	1525	1300
Ordinary paid up share capital	156	136*	83
Reserves & surplus	680	476	401
Net worth	836	612	484
Book value per share (Rs.)	535	392**	585

* *including Bonus and Rights Shares issued during the year.*

** *calculated on the number of shares including Bonus and Rights Shares issued during the year.*



HTA 1231 (A)



MURUGESA CHETTIAR PLACES A PREMIUM ON QUALITY

stainless steel arrived."

In 1952, Chettiar began manufacturing stainless steel vessels, bringing into play the same skills and dexterity he brought to brass utensils. Recalls Chettiar, of the early days: "Prior to 1952, stainless steel utensils were obtained from Bombay. But once we developed facilities for deep drawing of steel, we could step up the output of items like tumblers to 5,000 a day." Along with his sons, Chettiar specialised in making all the dies required to mould vessels into shape. "We ploughed back our profits into the business to broaden the base of our stainless steel products," explains Chettiar. And somewhere along the way they picked up the brandname Butterfly.

DIVERSE EXAMPLE

Butterfly? "We were expanding our product range and the butterfly is the most diverse example in nature with over three lakh species. We thought it most appropriate for our diverse products," he says.

In 1967, Chettiar founded Biswanath Metals and Alloys, which later became the flagship company of the group. Till the early eighties, the company trundled along like a sluggish caterpillar, only churning out utensils. But once the Chettiars decided that it was high time they got cracking, the pace of expansion was furious.

In 1983, Gangadharam Enterprises was formed to make pressure cookers, pressure pans and copper-bottomed vessels, including cookers with copper bottoms (which offered improved conductivity). "We decided that unless we diversified we couldn't survive. That's why we decided to go into appliances," explains Lakshminarayanan. In 1988, this unit was putting out nearly 6,000 cookers a month valued at Rs 42 lakhs. Though this output is dwarfed by the TTK group's Prestige pressure cookers, its main competitor in this segment, the brothers are confident of taking the latter on on home turf in the south. "Our essential difference is that the material we use is steel against their aluminium. The price differential is barely 15% though," says V.M. Seshadri, another brother, who handles the group's finances.

The Chettiar family commenced operations as a brass vessels trading concern years ago. With the arrival of stainless steel, Chettiar began manufacturing stainless steel vessels, bringing into play the same skills and dexterity he brought to brass utensils

Not content with this, another new company, Gandhimathi Appliances, was floated in 1986 to manufacture a range of appliances — from LPG stoves, mixies and geysers to washing machines. And these too in stainless steel. Comments a satisfied dealer of the stoves: "Chromium-plated stoves tend to rust in a few years. That's where these stainless steel stoves score." Production of gas stoves currently nudges 5,000 a month. "Today we consume nearly 120 tonnes of steel a month," says Lakshminarayanan. And this figure ought to go up even further as the production of LPG stoves is planned to be stepped up to 10,000 pieces a month and that of cookers to 7,000.

The youngest of the brothers, Gangadharam and Kumaresan, are the ones who hold the fort at the factor-

BISWANATH METALS' PLANT. INSET: THE BUTTERFLY RANGE OF PRODUCTS



ies, specialising in production and development. Kumaresan, the one with the innovative bent of mind, designed and fabricated a polishing machine based on an imported model. "We've invested less than Rs 3 lakhs on this while an imported machine would have cost us upwards of Rs 35 lakhs," claims Kumaresan proudly.

While the Butterfly brands have carved out niches for themselves in the south, and particularly in Tamil Nadu, Lakshminarayanan is far from content with that. "We have plans to expand our sales force in Kerala, Maharashtra and Gujarat in the next stage," he says. Apart from establishing a strong dealer network, the Chettiars have also set up exclusive Butterfly showrooms in Rajahmundry, Kakinada and Hyderabad, all in Andhra Pradesh, one in Bangalore and one on Madras' arterial Mount Road.

ADVERTISING SPLURGE

To make a bigger splash, a splurge on advertising is also on the cards. "We started concentrating on advertising last year and we have made a provision to spend at least Rs 3 crores next year, " says Lakshminarayanan. And there are plans to explore the export markets as well. "It's only our lack of production capacity that restrains our growth. Importers require huge volumes. But we're expanding fast," he adds.

Plans are on the anvil to expand the product range to make electric rice cookers, low-cost washing machines, stainless steel sinks, a programmable meal maker and dishwashers. Chettiar places a premium on quality and emphasises his unswerving commitment to it. "The Bureau of Indian Standards (BIS) was impressed by the quality of our pressure cookers. They suggested that we work out a scheme to get our entire range of products certified by the bureau," says Lakshminarayanan. Moreover, the bureau has been badgering the group to adopt standards set by the International Standards Organisation so as to facilitate exports.

Four of the group companies are well entrenched with high-growth products. Not surprisingly, in just three years, group turnover soared five-fold to reach Rs 10 crores last year. They now want to accelerate. For 1989-90, the turnover is projected at Rs 42 crores. With Gangadharam Appliances set to operate at full capacity during the year, the turnover of this unit alone could notch up Rs 24 crores while Gandhimathi Appliances and Gangadharam Enterprises will fetch Rs 6 crores each. The remaining units will bring in another Rs 6 crores in the terms of turnover.

But this is only the beginning, say the Chettiars. "Right now we are concentrating only on the south. Once we move to other states up north, and with more new items to come, I am confident this turnover can be doubled. And there remain the export markets to be tapped," observes an optimistic Lakshminarayanan. "With our track record and growth potential, we are confident of expanding the group's turnover to Rs 100 crores in the next five years. The sky is the limit."

A daunting task, no doubt. But the Chettiars don't get butterflies in their stomach at the thought.

■ *Vinay Kamath*



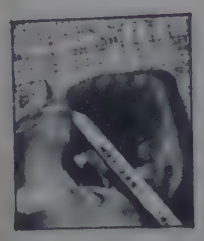
BUTTERFLY SHOWROOM IN MADRAS

With a clutch of nine companies in its fold, the Rs 10 crore turnover Butterfly group manufactures a whole range of household products using steel — pressure cookers, gas ranges, mixies, water filters, washing machines, and now, flasks

THE BUTTERFLY BANNER

Company	Products
Biswanath Metals & Alloys	Utensils and dinner sets
Gangadharam Enterprises	Pressure cookers, pans & copper-bottom vessels
Gandhimathi Appliances	LPG stoves, mixies, geysers & washing machines
Gowmaram Metal Pressing	Idli plates, tiffin carriers & tumblers
Lakshmi Light Metal Industries	Water filters
Kartikeyan Rubber Products	Paddy dehusking rubber rollers
Ganesh Rubber Products	Rice polishers & gaskets for pressure cookers
Leader India Cycle Tyre	Cycle tyres and tubes
Gangadharm Appliances	Pressure cookers & stainless steel vaccum flasks

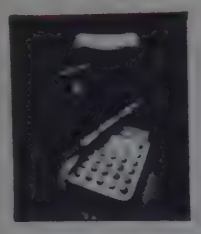
PICK OF THE JOBS



"The first step in any recruitment process is the scrutiny of applicants' biodata. During this screening process, applications which do not satisfy the basic job requirements are discarded. Many candidates seem to treat a job application in a very casual manner and, predictably, their application evokes a very cursory response before it is consigned to the wastepaper basket," says Hemendra K. Verma, director of Management Productivity Systems, an upcoming management consultancy firm.

Verma advises job applicants that while a well-written and neatly drawn-up biodata may not ensure an interview call, a poorly written and shabbily presented one has an excellent chance of being discarded at first go, irrespective of the candidate's credentials. He suggests that the biodata should be well-structured, conveying all relevant information, so that it becomes easier for the recipient company to evaluate it.

CONTROLLER — FINANCE AND ACCOUNTS



A professionally-managed Ahmedabad-based group with an annual sales turnover of Rs 30 crores has retained Personnel Search Services to zero in on a controller — finance and accounts.

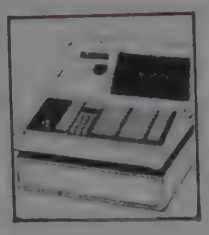
The ideal candidate would be a chartered accountant with additional qualifications of company secretary and/or MBA (finance). He should have had at least 10 years' relevant experience of which five years should have been in a management position. A well-honed business perspective and commercial orientation would be prerequisites for success.

The appointee will report to the managing director and be responsible for the finance and accounting functions at the group level, with special emphasis on financial planning, management accounting, indirect taxation and EDP.

Salary is not a constraint and company accommodation will be considered.

Enquiries to Personnel Search Services, 3rd Floor, Sambava Chambers, Sir P.M. Road, Bombay 400 001. Tel: 2860755, 255476, 2862660

MANAGING DIRECTOR



Personnel Search Services is gunning for a top-flight managing director to take charge of the Indian operations of a $2 billion European company which is a world leader in a range of consumer products.

The appointee, who will be based in Bombay, will have to establish the company's existing brands in India and also oversee the introduction of new products shortly.

Aspirants should be dynamic marketing professionals in the age group of 45-50, with an outstanding track record in marketing. Experience in a multinational environment will be valued.

For the right candidate, emoluments will be negotiable and include top management perquisites.

GENERAL MANAGER - LEGAL



A multinational consumer products company in Bombay has retained Personnel Search Services to locate a general manager - legal.

Aspirants should be law graduates with an outstanding academic record. They must have had a wide range of professional experience at a senior level in a reputed company. The ideal age is around 45 years.

The incumbent will be responsible for the company's legal matters relating to company, MRTP, tax, excise, food and environmental laws.

The compensation package is liberal and includes senior level perquisites.

MARKETING MANAGER — AGROCHEMICALS



The agrochemicals division of a multinational company in Bombay has retained Jonzehn Services to track down a marketing manager.

For this empty slot, aspirants should be around 40 years of age, with a track record in marketing agrochemicals. The appointee will have to report to the profit centre chief and will be totally responsible for the marketing function.

Emoluments will be on a par with the best in the industry.

Enquiries to Jonzehn Services, P.B. No.9891, Bombay-400 050. Tel: 6420387.

GENERAL MANAGER — SALES



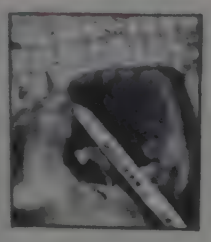
Jonzehn Services is headhunting for a dynamic general sales manager for a fast expanding pharmaceutical company in Bombay.

Aspirants should have a proven track record in sales. They should currently be controlling a sales volume of not less than Rs 25 crores per annum and field personnel of around 250.

The appointee will have to motivate the sales team into a dynamic force and double sales in two to three years. He will be adequately supported by a strong product development and scientific team.

For this result-oriented position, the pay packet is Rs 3 lakhs per annum.

VICE-PRESIDENT — HRD



Tristar Consultants is headhunting for a high-powered vice-president (HRD) for an engineering company, which is part of an industrial house with annual sales of Rs 250 crores.

Aspirants for this post should be post-graduates in personnel management from a reputed institute, be in the 35-48 age group and have a minimum of 10 years' experience at the corporate level. The appointee will be based in Bombay and will report to the president.

The job entails manpower planning in a multi-divisional company, recruitment/selection, appraisal, training, personnel administration and career counselling.

The compensation package will be above Rs 2 lakhs per annum.

Enquiries to Tristar Consultants, 616 Maker Chambers V, Nariman Point, Bombay 400 021. Tel: 233905, 240377.

GENERAL MANAGER — WORKS



A multinational, which is a market leader in the area of consumer products, has enlisted the services of The Concept to track down a hard-core professional to take over as general manager (works) at its Pune plant. The company has annual sales of around Rs 60 crores.

To fit the bill, aspirants should be mechanical engineers with a post-graduate qualification in business administration from a reputed institute. They should have around 15 years' experience in manufacturing, out of which 5-8 years should have been in managing the operations of a process industry plant. They should be in their late 30s or early 40s. Exposure to profit centre management would add to their credentials.

The appointee will be responsible for the profitable operation of a high-technology plant.

The compensation package will be over Rs 1.5 lakhs with lavish perquisite, including a furnished house, chauffeur-driven car amd club membership.

Enquiries to The Concept, 67 White Hall, 143 August Kranti Marg, Bombay 400 036. Tel: 8224422-23, 8118319

CHIEF EXECUTIVE



The Concept has launched a search for a high-calibre chief executive for a professionally-managed, rapidly growing multi-divisional office automation company which is a market leader in a number of products.

Aspirants should be engineering graduates with a post-graduate qualification, preferably in electronics. They should have had 8-12 years' experience in a similar organisation at the general management level.

The appointee should be over 40 years of age and will be based in Delhi or Bombay. He will report to the president of the group.

Emoluments will be over Rs 2 lakhs per annum and perquisites will be liberal.

CHIEF CONTROLLER — ACCOUNTS



Management Productivity Systems is gunning for a chief controller (accounts) for the Bombay head office of a leading construction and project engineering company having operations in India and abroad.

Aspirants should be chartered-cum-cost accountants, between 45-50 years of age, having around 15 to 20 years' experience, of which at least five years should have been as head of the accounting/finance function of a medium-sized public limited company. Experience in construction and/or project engineering companies will be a distinct advantage.

For the right candidate salary will be for the asking.

Enquiries to Management Productivity Systems, P.B.No. 9313, Bombay 400 036, Tel: 8224210.

MANAGER — FINANCE & ACCOUNTS



For the same company in Bombay, Management Productivity Systems is scouting around for a manager (finance and accounts).

Aspirants should be chartered-cum-cost accountants, between 35-40 years of age, having 8-12 years' experience. They will be in full charge of the day-to-day running of the department and routine operational matters. Experience in construction and/or project engineering companies will be an advantage. Salary will not be a constraint for the right candidate.

VICE-PRESIDENT — MANUFACTURING



Career Placement & Marketing Services has launched a search for a vice-president (manufacturing) for the Pondicherry-based unit of a large multi-divisional group of companies in the south which manufactures consumer durables.

Aspirants should be engineers between 38-45 years of age, preferably with a post-graduate qualification in business administration. They should have 15-20 years' experience in the manufacturing field in a reputed company, out of which at least 10-15 years should have been in a senior capacity. They should be strong in industrial relations.

The gross compensation package would be around Rs 1.50 lakhs per annum and is negotiable.

Enquiries to Career Placement & Marketing Services, P. B. No. 8105, Bombay 400 051.

■ *Indra Giduani*

BECOMING EFFECTIVE



Peter Drucker, the high-priest of modern management, has always emphasised one point: that an executive must be effective and not only efficient. This dictum may seem trite and obvious. But just look around your own organisation and the chances are that the obvious is often overlooked. Most times, executives become ineffective for a variety of reasons.

One of the reasons could be that they do not know how to set priorities. Executives cannot distinguish between what they must do and what they want to do. And more often than not, they succumb to the temptation of doing the latter. In the process, more pressing and urgent problems get delayed. Excuses are then used to justify the delay and we then have a situation of the cat chasing its tail.

Many executives don't know how to manage time; they work harder, but not smarter. This comes from a wrong sense of priorities. They are not able to schedule time properly, to allot the right amount of time for the right purpose and to allow time for contingencies. They are constantly chasing the clock and before they know it, it's seven in the evening and time to go home.

ABSENCE OF SKILLS

Another important reason why Indian executives are efficient but not effective is that they do not devote enough time to mastering the basic skills needed for managerial effectiveness — for example, skills of dictation, rapid reading, and delegation.

In one of the companies served by this writer, the managing director impressed many by the fact that he was the first to arrive at the office and the last to leave. He seemed to devote almost all his working hours to the company, and he seemed to be working hard. Later, this writer discovered that the managing director could not dictate letters. He wrote every letter by hand before it was typed. If it was a letter to a government department, he spent half a day over it. If it was a letter to be sent abroad, he spent the whole day over it. Meanwhile, his secretary sat in her room doing her knitting, crochet or whatever, waiting for her boss' handiwork. How did a letter writer then get into the managing director's seat? Most probably, more by accident than by design.

Surveys conducted by this writer's organisation have shown that the average reading speed of executives in India is about 250 words per minute when, in fact, it should be around 500. President Kennedy is believed to have had a phenomenal speed of 1,500 words per minute: he was not born with this capacity; he cultivated it. For Indian executives, the lesson is that poor reading speed erodes 50% of one's time. If two or three hours can be saved every day, it works out to over 40 days a year of additional time.

Delegation is another weak spot in the executive character in India. This probably has something to do with the shortage of 'good jobs.' Many people, therefore, try to protect their own jobs and keep their subordinates in a subordinate position to prevent them from emerging as serious competitors. This objective is achieved by two methods. The more primeval of them is to emphasise who's boss; the other is to deny information to the subordinate who is perceived as a rival. The boss, thus, withholds some information so as to make it appear that he has higher information access. He, thus, commands respect — or so he thinks.

This *prima donna* attitude of many executives often results in the inadequate preparation of successors. It also results in the boss taking on more work than he can handle. Loss of effectiveness is the result. Look around, and one will find sales managers who double as salesmen, production managers pitching in as foremen, and finance controllers playing internal auditors.

There is yet another fallout of this conflict between efficiency and effectiveness. It is the so-called efficient people — who have worked hard, sacrificed family life for work life, and generally refused to delegate jobs — who are left behind some 15 to 20 years later. They stagnate while their effective colleagues move up without seeming to work so hard.

In the end, they are the ones to feel frustrated. Feeling unappreciated, they spread the cancer of dissatisfaction to new entrants and younger executives. Effectiveness is the ability to get the job done, and to ensure and improve productivity. It means doing the right thing, whereas efficiency means doing things right. It is ideal to have both, but if that is not possible, then effectiveness is better.

It is difficult to enumerate all the factors that go into building effectiveness. But if an executive were to set proper priorities, manage time, improve reading speed and develop a sense of confidence and security about his job (and therefore delegate and develop subordinates to be as good or better than himself) he would be well on his way to becoming an effective manager.

■ *Walter E. Vieira*

The author is a Bombay-based management consultant.

It is good to be both efficient and effective. But if an executive can be only one of them, he should try to be the latter

APPOINTMENTS

HMT

requires

EXECUTIVE DIRECTOR CORPORATE PLANNING

BANGALORE

Should be a Graduate of Engineering with around 25 years of experience in a large multi-unit, multi-product engineering organisation out of which at least 3 years should be in Corporate Planning in a responsible position and 3 years in a General Managerial position, preferably in a manufacturing organisation.

Job involves long term strategic thinking and planning for the Company, setting long term objectives and goals, evolving strategies to meet the set objectives and goals, preparing corporate, business and operational plans, their periodic review and monitoring.

Total emoluments with HRA and CCA will be around Rs. 90,000/- per annum. Other benefits as applicable. The emoluments are under revision and may go up.

Age: Below 50 years.

DIRECTOR, CENTRAL METAL FORMING INSTITUTE

HYDERABAD

Should be a Doctorate or a Post Graduate in Mechanical Engineering with specialisation in Metal Forming.

Around 15-18 years of experience in metal forming machine tools in a responsible position. Experience in the design and manufacturing of metal forming presses, dies and tools desirable. Should have a wide knowledge of modern metal forming processes, machinery and their application. Should be able to organise and set up research, development and testing facilities for Metal forming machines and processes and lead a group of design and research engineers in carrying out advance R&D work on specific projects relating to modern Metal Forming Technology.

Total emoluments including HRA and CCA will be around Rs. 80,000/- per annum. Other benefits as applicable. The emoluments are under revision and may go up.

Age: Below 50 years.

Please apply with particulars to GM (HRD) HMT Limited, 36 Cunningham Road, Bangalore-560052 within 15 days from the date of this advt.

Equity Option

ARE YOU READY TO TREAT YOUR JOB AS YOUR OWN EXCITING ENTERPRISE?

Absolute Autonomy

Total Responsibility

Complete Accountability

APPOINTMENTS

LEADERSHIP
BUILT ON TRUST

WE ARE.

HCL Limited, India's largest office and anufacturing automation corporation offers you a nce-in-a-career opportunity.

If you are an Engineer or Engineer - MBA, 5-45 years old, with relevant working experience nd a will to move fast and surely, **plan your move ow.**

Come as a **General Manager or Deputy eneral Manager** in the areas of Manufacturing, ustomer Support, Sales and R&D (Hardware and ystems) to an organisation that plans to triple its rojected turnover this year of Rs. 160 crores to s. 450 crores in June 1991.

It's action, pace and challenge with a unique ifference.

WITH THE CHALLENGE COMES THE EQUITY

In addition to offering you the finest ompensation package in the country, HCL imited offers entrepreneurial rewards for utstanding performances.

You're offered an equity option depending on our performance. Not as a one-time reward but on continuing basis... a truly unique and abiding incentive. So in a true sense you share in the future you create, the growth and the wealth you create. No other comparable organisation can match this offer.

WITH FREEDOM COMES AUTHORITY & RESPONSIBILITY

When you plan and execute strategies you're truly your own master in your area of operation.

In HCL, every performance parameter has been quantified, be it in terms of volume, time or financial resources. And your performance is measured against quantified targets, pre-determined and mutually agreed upon.

Clearly the accountability is tougher as you move up the hierarchy. And internal competition is acute because the quality of our people is demonstrably superior in skills and performance.

WITH THE SPECIAL HCL FACTOR COMES ENTREPRENEURIAL LEADERSHIP

You need the expertise to take full command of your team, setting an example, starting the operation with the rare ability of mind that guides swift and sure decision-making. At HCL you gain experience and exposure at least twice as fast as in any other organisation in the country.

Having to continually manage an ever-increasing number of transactions, you need the capability of compressing time, telescoping a variety of tasks in shorter time spans.

To see change as an opportunity and to manage it; to manage organisational systems, manpower productivity and product reliability; to welcome accountability and responsibility... these are qualities you need to possess.

Most important, you need a strong entre-preneurial streak that shows in your decisions, performance, inventiveness. That earns you recognition and rewards of a unique nature.

We look forward to a detailed resumé from you, which we will receive in the strictest confidence.

Please write to:
D.S. Puri
Director
HCL Limited
8th Floor, Siddharth
96, Nehru Place
New Delhi-110 019

DISCOVER LEADERSHIP IN ACTION

HCL
LIMITED

BAMBINO

WORKS MANAGER

Hyderabad

Around 1-00 Lac p.a.
+ Car + Perks

We are a fast growing, professionally managed Group of Companies with diversified activities in the field of Food Products, Health Care and Tobacco. In the field of Food Products, we are the largest manufacturers of Vermicelli in the Country, with a sophisticated, fully automatic plant imported from Italy.

This is a Senior Management position and the incumbent would be totally responsible for the operations of the plant, including Production, Maintenance, Technical Services and Supporting functions. He will take over leadership of loyal and motivated team of executives. He should have a keen analytical mind and bring about a systematic approach in the development of Human Resources.

The candidate should be a Mechanical/Electrical Engineer in a similar capacity with a minimum of 10 years experience in a medium sized industry. Exposure in a food processing industry will be an added advantage.

Please apply with full Bio-data, within 10 days to:

The Managing Director,
BAMBINO GROUP OF COMPANIES
P.O. BAG NO: 14
HYDERABAD - 500 029.

APPOINTMENTS

SHREE
MANAGEMENT SERVICES
PERSONNEL SELECTION DIVISION

MURABLACK
INDIA LIMITED

Our client M/s. MURABLACK INDIA LTD., are setting up an ambitious 100% export oriented Rs. 35 crores HI-TECH project to manufacture conductive grade CARBON BLACKS in technical collaboration with M/s. MURACHIMIE S.A., SWITZERLAND, at TARAPUR near Bombay. The Company will manufacture various grades and qualities of super and electro-conductive CARBON BLACKS for applications in industries like Plastics, Cables, Paints, Pipes, Rubber, Conveyor belts, and Alkaline Dry Cell batteries.

The Company is looking for a high calibre technical professional for the following position:

VICE PRESIDENT – PRODUCTION (TARAPUR)

This is a senior management level position at site reporting to the Managing Director. The incumbent should be dynamic and result-oriented and should possess sound technical knowledge over and above excellent skills in man-management and administration. He will be responsible for all Engineering activities such as erection, maintenance, planning, development and improvement in Technology to ensure optimisation of production/productivity, safety upgradation and energy conservation. He will lead a team of professional Managers and will ensure smooth operation and targetted efficiency & productivity of the plant, compliance of statutory requirements and all other matters related to works management.

The incumbent should be around 40-45 years of age and have a first class masters degree in Chemical Engineering from a recognised University/Institution. He should have at least 10 years experience of which 5 years should be in a senior managerial position in a plant manufacturing Carbon Blacks.

The incumbent will have to reside at TARAPUR (100 kms. away from Bombay) and suitable accommodation will be provided by the Company.

A comprehensive compensation package will not be a limiting factor for the right candidate. Kindly send resume with all relevant details of experience in strict confidence within 10 days to:-

Ameeta Telang, Director
SHREE MANAGEMENT SERVICES
33, Islam Building, 46, Veer Nariman Road
Fort, Bombay-400 001.
Phone: 204 51 96/204 12 45

APPOINTMENTS

SHREE
MANAGEMENT SERVICES
PERSONNEL SELECTION DIVISION

MURABLACK
INDIA LIMITED

Our client M/s. MURABLACK INDIA LTD., are setting up an ambitious 100% export oriented Rs. 35 crores HI-TECH project to manufacture conductive grade CARBON BLACKS in technical collaboration with M/s. MURACHIMIE S.A., SWITZERLAND, at TARAPUR near Bombay. The Company will manufacture various grades and qualities of super and electro-conductive CARBON BLACKS for applications in industries like Plastics, Cables, Paints, Pipes, Rubber, Conveyor belts, and Alkaline Dry Cell batteries.

The Company is looking for a high calibre professional for the following position:

SECRETARY & FINANCE CONTROLLER (BOMBAY)

The incumbent will take complete charge of Finance, Secretarial and Accounting functions at the registered office of the Company in Bombay.

The incumbent should be a qualified Chartered Accountant and Company Secretary with 8-10 years experience in handling these functions in a reputed organisation and should be around 40-45 years of age. The job involves dealing with financial institutions/banks, resource planning and fund management, costing, budgetary controls, MIS, audit, working capital management, finalisation of balance-sheet, secretarial and legal matters. Exposure to operating centralised computerised accounting systems is essential. He should be familiar with legal and procedural aspects under various statutory enactments including foreign exchange and customs regulations.

This is a senior management level position reporting directly to the Managing Director.

A comprehensive compensation package will not be a limiting factor for the right candidate.

Kindly send complete resume in strict confidence within 10 days to:

Ameeta Telang
Director
SHREE MANAGEMENT SERVICES
33, Islam Building
46, Veer Nariman Road
Fort, Bombay-400 001.
Phone: 204 51 96/204 12 45

APPOINTMENTS

DLF ENERGY SYSTEMS LIMITED

TECHNICAL PERSONNEL

Near Delhi. **Attractive terms**

DLF Energy Systems Limited, a professionaly managed and rapidly growing company engaged in engineering, manufacture, supply and operation/maintenance of Gas Turbine Power Generating Sets, Combined-Cycle Power Plants & Co-generation Systems, on turnkey basis in technical collaboration with the WORLD LEADERS in the field, is looking for the following TECHNICAL PERSONNEL. The company is targetting to achieve Sales of Rs. 100 Crores per annum in the next 2/3 years.

MANAGER/ASST MANAGER—MECHANICAL DESIGN

Candidates should be Graduates in Mechanical Engineering with 7-15 years experience in designing of Power Transmission items like Gear Boxes, Couplings etc. for matching with High Speed prime-movers such as Steam/Gas Turbine or I.C. Engines. Must have a flare for Import Substitution and Vendor Development. Knowledge of Air Filtration for Gas Turbines will be an added qualification.

ASST MANAGER—FLUID SYSTEM DESIGN

Candidates should be Graduates/Post Graduates in Mechanical Engineering with 7-10 years experience of Design of High & Medium pressure Hydraulic/Gas Circuits with extensive instrumentation. Must be able to design lube oil system, hydraulic start system and Gas/Fuel system for gas turbine generating sets, selection of pipe sizes, valves, pumps & motors to match duty requirements. Thorough knowledge of piping, fittings, valves, actuators, pressure & temperature switches, pumps & motors and their availability — both Indigenous & Imported is a must.

MANAGER/ASST MANAGER—ELECTRICAL

Candidates should be Graduates/Post Graduates in Electrical Engineering with 7-15 years experience in design of Power Generating Systems/Plants including selection of HT Generators and other hardware for Parallel running of Generators upto 20 MW capacity. Hands on experience of 3-5 years in commissioning and operation of Power Plants and Steam/Gas Turbines will be an added advantage. Candidates must be familiar with International/National codes on Electrical Equipment & Safety Regulations.

ASST MANAGER—CONTROLS & CONTROL PANELS

Candidates should be Graduates/Post Graduates in Electrical/Electronics Engineering with 7-10 years experience on designing of Control Systems & Panels incorporating PLC, CRT, Vibration and Temperature Monitoring and Controls instruments for Turbine Driven Generating Sets of 3 to 20 MW capacity. Must have latest knowledge of Controls & Instrumentation of high speed rotating equipment with Digital & Analog instruments. Candidates must be able to design wiring diagrams incorporating schemes of Clients requirements & prepare logic diagrams for Gas Turbine control panels and for the entire Power Station Control Schemes.

FOR THE ABOVE POSITIONS CANDIDATES HAVING DEALT WITH CONSULTANTS LIKE EIL, TCE, H&G, DCPL AND OTHERS WILL BE PREFERRED.

EMOLUMENTS WILL MATCH THE BEST IN INDUSTRY AND WILL NOT BE A CONSTRAINT FOR THE RIGHT CANDIDATES.

Apply within 10 days in strict confidence with detailed Bio-Data marking the envelope and application with job title and code TP/43.

Omam Consultants Private Limited

14-D, BASANT LOK, VASANT VIHAR, NEW DELHI-110 057 TEL: 604587/670821.

Srishti



SHREE
MANAGEMENT SERVICES
PERSONNEL SELECTION DIVISION

MURABLACK
INDIA LIMITED

Our client M/s. MURABLACK INDIA LTD., are setting up an ambitious 100% export oriented Rs. 35 crores HI-TECH project to manufacture conductive grade CARBON BLACKS in technical collaboration with M/s. MURACHIMIE S.A., SWITZERLAND, at TARAPUR near Bombay. The Company will manufacture various grades and qualities of super and electro-conductive CARBON BLACKS for applications in industries like Plastics, Cables, Paints, Pipes, Rubber, Conveyor belts, and Alkaline Dry Cell batteries.

The Company is looking for a high calibre technical professional for the following position:

GENERAL MANAGER – MARKETING (BOMBAY)

The incumbent should be a young and dynamic professional with an impressive sales track record.

He should preferably be a Chemical Engineering graduate from a recognised University/Institute. A post-graduate degree/diploma in Business Management with specialisation in Marketing or post graduation from I.I.F.T. will be preferred. He should possess experience of 5/7 years in sales and marketing of Carbon/Acytylene Black. He should possess excellent communication skills, innovative approach and sound commercial acumen. Experience in Exports of this product will be an added advantage. The incumbent will have to undertake extensive travel throughout the world at short notice. He will be required to successfully hold technical discussions and commercial negotiations with the techno-commercial Managers of Multi-national Corporations and procure targetted business for the Company. A nose for international prospects and the knowledge of import-export regulations of various countries would be desirable. Though the job is initially export based, it will also involve developing customers in domestic market for import substitution. This is a senior management level position reporting directly to the Managing Director.

A comprehensive compensation package will not be a limiting factor for the right candidate.

Kindly send complete resume in strict confidence within 10 days to:

Ameeta Telang, Director
SHREE MANAGEMENT SERVICES
33, Islam Building, 46, Veer Nariman Road
Fort, Bombay-400 001.
Phone: 204 51 96/204 12 45

MODI MIRRLEES BLACKSTONE LIMITED

(A project promoted by Modi Rubber Limited)

We are fast setting up a plant in Aurangabad for manufacture of Industrial High Capacity Diesel Generating Sets in collaboration with world renowned leaders in Diesel Engine Technology, Messrs MIRRLEES BLACKSTONE DIESELS, U.K., a company in the Hawker Siddeley Group. We are in search of a suitable person for the position of:

CHIEF EXECUTIVE

— NEW DELHI

The incumbent will be in the age group 40-50 years, technically qualified, result oriented, preferably with relevant experience in similar industry.

He will be responsible for formulating , co-ordinating and controlling activities of different functional areas of the company such as operations, engineering, contracts, marketing, finance, personnel etc. He will also be responsible for profitability of operations, its continuity and growth. The position entails frequent travelling both within the country and abroad.

The above position offers attractive remuneration package commensurate with the position. Please apply in confidence giving full details within 15 days to:-

Advisor (Personnel)
Modi Mirrlees Blackstone Limited
4-7C, DDA Shopping Centre
New Friends Colony
New Delhi 110 065.

APPOINTMENTS

Industrial Cables (India) Limited

Industrial Cables (India) Limited is a growing Multi Unit Manufacturing Company with a turnover of Rs. 80 crores and has plans for diversification and expansion.

The Company offers excellent opportunity to a dynamic, result oriented professional to take corporate level responsibility as

VICE PRESIDENT (FINANCE) – DELHI

The ideal candidate would be a CA, ICWA or MBA (Finance) in the age group of 45 years having relevant experience in comparable positions. Incumbent would be responsible for total financial management and control systems at Corporate level and should be able to coordinate and liaise with Banks and Financial Institutions at apex level.

Salary and other benefits will be commensurate with qualifications and experience of the candidate and would be negotiable.

Please apply in confidence within 10 days stating Age, Qualifications, Experience, Present and Expected Remunerations and contact telephone number to:

The Managing Director
Industrial Cables (India) Limited, Jeevan Tara Building Parliament Street, NEW DELHI-110 001.

THE DHARAMSI MORARJI CHEMICAL CO. LTD.

REQUIRE

WORKS MANAGER

(for their Works near Amreli, Saurashtra)

We are a well established and leading Company in the field of Superphosphate, Sulphuric acid and allied chemicals, with a turnover of over 100 crores. The Company is expanding its operations and a new factory near Amreli (Saurashtra) is at an advanced stage of construction to manufacture Superphosphate and Sulphuric Acid.

The ideal candidate for the position of Works Manager would be a Chemical Engineer who has worked in a senior position requiring co-ordination of production, maintenance, accounts and personnel functions. He will lead a team of senior professionals and be accountable for results.

There is no constraint on salary and an attractive package will be offered. There will be bright prospects for the right candidate to move up in the organization after a few years. Rent-free accommodation will be provided.

Applications, in envelopes superscribed with the position applied for, giving complete details of qualifications, experience, age, etc. should be forwarded within 15 days of this advertisement to:

General Manager (Personnel),
The Dharamsi Morarji Chemical Co. Ltd.,
317/21, Prospect Chambers, Dr. Dadabhoy Naoroji Road, Bombay-400 001.

APPOINTMENTS

SHREE
MANAGEMENT SERVICES
PERSONNEL SELECTION DIVISION

MURABLACK
INDIA LIMITED

Our client M/s. MURABLACK INDIA LTD., are setting up an ambitious 100% export oriented Rs. 35 crores HI-TECH project to manufacture conductive grade CARBON BLACKS in technical collaboration with M/s. MURACHIMIE S.A., SWITZERLAND, at TARAPUR near Bombay. The Company will manufacture various grades and qualities of super and electro-conductive CARBON BLACKS for applications in industries like Plastics, Cables, Paints, Pipes, Rubber, Conveyor belts, and Alkaline Dry Cell batteries.

The Company is looking for a high calibre technical professional for the following position:

MANAGER – RESEARCH & DEVELOPMENT (TARAPUR)

The incumbent should be a nationally recognised R & D specialist. He should possess Ph.D. or at least M. Tech. qualification from a recognised University/Institution. He should be around 40-45 years of age and should possess at least 10 years experience in Research and Development of which 5 years should be in a senior managerial level in a plant manufacturing CARBON/ACYTYLENE BLACKS.

The incumbent should have complete knowledge of existing and proposed trends in international technologies for production of Carbon Blacks. He should be a good administrator and an excellent strategic planner. He will be fully in-charge of a well-equipped and modern laboratory for Application Engineering. He will also effectively coordinate, guide and support the Company's efforts in developing suitable grades to meet specifications of customers. He must possess proven leadership qualities to build up and motivate a group of Junior researchers.

The incumbent will have to reside at TARAPUR (100 kms. away from Bombay) and suitable accommodation will be provided by the Company.

A comprehensive compensation package will not be a limiting factor for the right candidate.

Kindly send resume with all relevant details of experience in strict confidence within 10 days to:

Ameeta Telang, Director
SHREE MANAGEMENT SERVICES
33, Islam Building, 46, Veer Nariman Road
Fort, Bombay-400 001.
Phone: 204 51 96/204 12 45

APPOINTMENTS

USHA MARTIN GROUP OF INDUSTRIES

require

INDUSTRIAL ENGINEERS

Location : Ranchi / Jamshedpur / Patratu

The selected candidates will be responsible for guiding a team of young engineers for conducting work study, finalisation of plant layout, carrying out value engineering studies, formulation and implementation of incentive scheme, cost reduction and energy conservation studies, manpower study etc.

Post Graduates in Industrial Engineering having relevant experience of 5 to 6 years or Graduate Engineers in Production/Mechanical Engineering having relevant experience of 6 to 8 years will be able to meet the requirements.

Please apply in strict confidence giving details of age, qualifications, experience and salary drawn to:

President (H.R.D.)
Usha Martin Industries Ltd.
'Everest', 46-C Chowringhee Road
Calcutta 700 071

PRESSMAN

USHA MARTIN GROUP OF INDUSTRIES

require

MANAGER/DY. MANAGER (DEVELOPMENT)

The incumbent will be required to spearhead developmental activities involving application of Electronics / Control Systems at various companies of the group in India and abroad through its **Corporate Development Cell (Electronics and Controls).**

With an annual turnover of over Rs.250 crores, the group is professionally managed and having horizontally integrated activities in the fields of special steel making, rolling, wire / wire rope making, manufacture of machinery & cables and other downstream activities.

If you have dynamism, drive, innovation and professional qualification (B.E. / M.E. in Electrical / Electronics) with 5 to 10 years' experience in similar activities, you may write in strict confidence giving details of age, qualifications, experience and salary drawn to:

President (H.R.D.)
Usha Martin Industries Ltd.
'Everest', 46-C Chowringhee Road
Calcutta 700 071

PRESSMAN

COMPANY SECRETARY

Madras **Excellent remuneration**

A leading, large, blue chip, publicly quoted engineering company, wishes to appoint its Company Secretary. The Company is professionally managed and is profitable and expanding.

The Company Secretary will be responsible for all secretarial and legal matters and will report to the Managing Director.

This opening presents an excellent opportunity for an outstanding qualified Company Secretary (preferably with a degree in Law) to reach the top of his profession. Preferred age: Below 50 years.

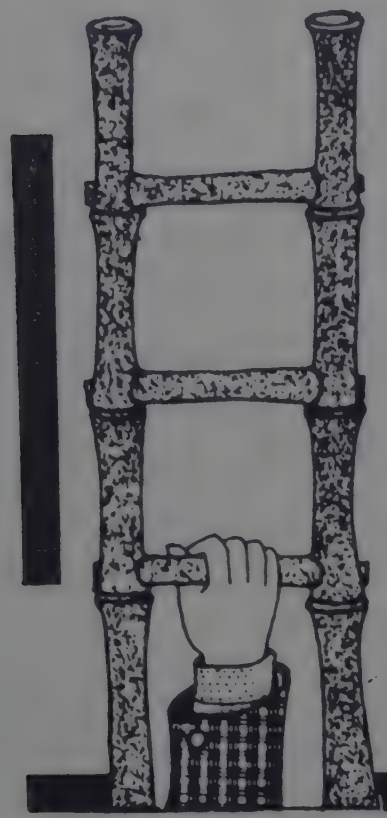
Remuneration will not be a constraint.

Please write (ref: MS/5079) in strict confidence to:

A. F. Ferguson Associates
Post Box 1786
Bombay 400 001

APPOINTMENTS

NO QUEUE TO REACH THE TOP.



You are young and deserve to be upwardly mobile. But your talent, experience and track record are cramped by the slow moving line up ahead of you.

Well, we've got the positions you're looking for at the top. Without the queues.

1. **Managers** — Membership Development (An MBA with a minimum of 5 years' experience in Service Marketing. Additional qualification in travel is preferable)
2. **Asst. Managers** — Marketing (3 years' experience)
3. **Asst. Managers** — Member Services (3 years' experience)
4. **Marketing Executives** — (2-3 years' experience)

(A Management Degree/Diploma or Diploma in travel is essential for posts 2,3 and 4.)

So take your short cut to the top in a multi-faceted organisation launching innovative concepts in travel. A fast-growing professionally run company all set to reach the 500 million turnover mark by 1989, with offices at Bangalore, Bombay, Calcutta, Delhi, Cochin, Hyderabad and Ahmedabad.

A handsome remuneration package awaits the right candidates.

Apply with resume within 10 days to The Managing Director, **TRAVEL CLUB**
75, J. C. Road, Bangalore 560 002

TRAVELCLUB

The world of privileges at your behest.

YOUNG MBA PROFESSIONAL

International Bank

Bombay **Attractive remuneration.**

A major international bank, with worldwide operations and a representative office in India, wishes to recruit a dynamic, result-oriented individual to assist the Country Head in matching business opportunities in India with capabilities of its international clients. The job responsibilities would include project identification and follow-up. Initially the incumbent would operate on his own and later lead a team of professionals.

Applicants must be MBAs (preferably from the IIMs) with two to four years post-qualification experience preferably in commercial/development banking or management consultancy. A good personality, communication skills and a perspective of the business environment are essential prerequisites for the job.

Preferred age: 24-27 years.

The remuneration package is very attractive. However, housing will not be provided.

Please apply in strict confidence within 10 days to:

A.F. Ferguson Associates
Post Box 1786
Bombay 400 001

giving full details of age, qualifications, experience and salaries drawn. All applications and envelopes should be marked 'Ref. MS/5074'. Candidates not contacted within three months of application, may assume that they are not being considered.

KEY MANAGEMENT POSITIONS

Our client is a large Television Software Production Company based in Delhi and has the support of a well diversified, multicrore, progressive industrial house. The Company is well established in producing specialised TV programmes and has several national and international awards to its credit. It is already a market leader in TV Programmes and is poised for a major thrust into the video market. Business plans include producing films on management, education, culture and many other areas.

GENERAL MANAGER MARKETING - DELHI

The Company is looking for a dynamic marketing person, who can generate tomorrow's market today and take the challenge of making the company a market leader in the upcoming area of video software production.

He will report to the Chief Executive and will be supported by competent managers for three major divisions—Doordarshan, Video Market and Video Vans.

The applicant should have a good degree, preferably with a Post-Graduate Certificate in Management and Marketing. An exceptional track record in the marketing of TV and Video Software or products in any related industry is a must. The Post requires around 10 years experience in well managed companies of which around 2 to 3 years should be as head of the Marketing and Sales Function.

FINANCE MANAGER - DELHI

He will be accountable to the Chief Executive and his key responsibilities will be finance, accounts, taxation and secretarial functions. Applicants should be Chartered Accountants with 3 to 5 years experience in a reputed organisation of which 1 to 2 years should be as head of the Finance functions.

The Company believes that human resources are its greatest assets. It will provide professional freedom at all levels and offer excellent career advancement opportunities to high achievers. The compensation package is structured to attract the best available professional talent.

Please write in strict confidence within 15 days with detailed curriculum vitae and superscribe the envelope with the position applied for, to :

DEEPAK SINGH
QUEST CONSULTANTS & ENGINEERS PVT. LTD.
307, SKIPPER CORNER, 88 NEHRU PLACE
NEW DELHI-110 019.

APPOINTMENTS

MARKETING MANAGER

HYDERABAD

REPORTING TO MANAGING DIRECTOR

A VERY ATTRACTIVE REMUNERATION PACKAGE

We are part of a large Poultry Breeding Group of Companies in India with a reputation for high quality products, sound technology base and an excellent track record of Finance and Management. The Group has a comprehensive technical collaboration with "SHAVER" of Canada-the largest poultry breeders in the world. We have embarked on a major growth and diversification programme which envisages doubling of the present turnover of Rs. 100 millions within the next two years.

To lead the Company's marketing operations, we are looking for a dynamic and result-oriented Marketing Manager to head the all-India marketing activity.

The candidate should have proven track record with an experience of 7 to 10 years at middle/senior level management. He will be involved in Company's policy formulations, development and implementation of market strategies, including action plans at all-India and regional level, enjoying total freedom. He should aim at giving a competitive edge and leadership position for the Company's products in the industry.

If you think your ambition matches our goals, we invite your application to reach us within 10 days of this advertisement :

The Managing Director
Singh Poultry Ltd
5th Floor, Paigah Plaza, Basheerbagh
HYDERABAD - 500 029

KARNATAKA OXYGEN LIMITED

requires

CHIEF EXECUTIVE

at **Bangalore**

THE COMPANY

Karnataka Oxygen Limited is a professionally managed Joint Sector Unit promoted by Bhoruka Group in association with K.S.S.I.D.C. The Company is a **leading manufacturer of Industrial Gases** in the South.

THE JOB

The incumbent will **report** to the **Board of Directors** and will have total responsibility for the profitability and growth of the Company. The Company employs about 175 persons, and the current value of the assets would be approximately Rs.10 Crores.

THE REQUIREMENTS

The **applicant** should be an **Engineering Graduate** with adequate **techno-commercial** expereience at Senior level of which atleast **3 years** as **head** of an **independent profit centre.** Strong business sense and proven track record essential. **Preferred Age 40-45 Yrs.**

THE REMUNERATION

Those drawing a total remuneration of less than **Rs.1 Lakh p.a.** + car + accommodation & usual perks need not apply.

The Company offers **excellent career and growth opportunities.** Please apply in strict confidence with detailed resume to:

Chairman & M.D.
Bhoruka Steel Ltd.
48, Lavelle Road, Bangalore-560 001.

APPOINTMENTS

Shalimar Group

Private Limited

MARKETING MANAGER

ENGINEERING THERMOPLASTICS

Calcutta — Rs. 1.50 lacs p.a.

The Satya Group is a multi dimensional group with diversified interests in wire cloth, copper alloy strips and wires, cold rolled steel strips, speciality papers, textile and jute mill accessories and pharmaceuticals.

Our unit manufacturing jute and cotton mill accessories has now diversified into the marketing of Thermoplastics. We are looking for a Marketing Manager to spearhead the activities of this division.

The incumbent will be required to promote marketing of SHALPLAST-4000 (UHMWPE-PLASTIC) for industrial use. He will be required to prepare technical details, estimates, designs and guide the Drawing department to prepare necessary layout drawings etc. He will be required to negotiate with Public Sector undertakings at various levels and will be responsible for achieving targeted sales of the product and indentifying new areas of application. .

He should possess good personality and communication ability with strong Public Relations skills.

Applicants should be mechanical engineers with specialisation in Material Handling equipment with 7-10 years experience in handling turnkey jobs, particularly for Public Sector units such as steel plants, coals handling plants etc. Exposure to marketing is essential.

Please apply within 10 days with complete biodata in an envelope marked RT/11/89 to :

M/S SATYA SONS SERVICES LTD.,
SCO : 55, Sector 26-D,
Madhya Marg, CHANDIGARH -160 019

A MEMBER OF satya group

INTERADS/CH

APPOINTMENTS

MAX

BOSTIK ADHESIVES JOINT VENTURE

Max India Limited, an associate of Ranbaxy Laboratories Ltd., is a professionally managed and growing company with annual sales of around Rs. 30 crores. The company is a leading manufacturer of drug intermediates and speciality chemicals and actively diversifying into packaging, adhesives, and fermentation based products.

For its diversification into adhesives, sealants and coatings, the company proposes to set up a joint venture company in technical and financial collaboration with the Bostik Division of Emhart Corporation, U.S.A. Emhart, a reputed U.S. Fortune 500 company owns Bostik companies worldwide where the name Bostik is synonymous with adhesives. The company's Head Office shall be located in Delhi and its plant at Dadri near Ghaziabad outside Delhi. For the proposed joint venture company we require:

CHIEF OF MARKETING

DELHI

The incumbent will report to the Business Head of the joint venture company. The job responsibility would include strategising market entry, market planning; setting budgets and targets; and, finally meeting the set marketing objectives. In addition, the incumbent would be expected to provide major inputs for company's business plans and corporate strategies, related to the adhesive industry.

The incumbent will build his marketing team from grass roots.

The candidates should be in the age group 30-35 years; MBAs or equivalent with 10 years experience out of which 5 years should be in the marketing function in a similar or related industry. Familiarity with footwear, automotive and construction industries will be an asset.

The incumbent must be a self motivated and innovative person who understands marketing as a process of offering services and systems rather than products alone.

Only persons holding senior positions should apply.

DEPUTY/ASST. MARKETING MANAGERS

DELHI AND OTHER PRINCIPAL CITIES

The incumbents will report to Chief to Marketing and assist him in various aspects of marketing and sales in the regions assigned to them. This will include meeting budgets and targets.

Candidates should be engineers preferably MBAs with around 4 to 8 years experience in marketing or sales in adhesives, industrial paints or similar industries. Experience in Technical Application is essential. Exposure to footwear, automotive and construction industries will be an asset.

The job calls for a high degree of communication, technical and conceptual skills.

Compensation package will be comparable to the best in industry and will not be a limiting factor for the appropriate candidates. The positions offer excellent growth prospects.

Applications with details of age, education, qualification, experience, specific career achievements and current emoluments should be sent within 7 days to:

SR. MANAGER-CORPORATE PERSONNEL

MAX INDIA LIMITED

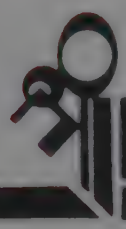
DEVIKA TOWER 6, NEHRU PLACE, NEW DELHI-110 019

The position applied for should be superscribed on the application and envelope.

THOSE WHO HAVE APPLIED EARLIER NEED NOT APPLY AGAIN.

asian

APPOINTMENTS



SHREE

MANAGEMENT SERVICES

PERSONNEL SELECTION DIVISION

DATA-BANK FOR EXECUTIVES

We are successfully catering to the requirement of **PERSONNEL** in Executive cadres of our highly reputed multi-national and growth-oriented client organisations from the following industries through our **DATA-BANK**.

■ PHARMACEUTICALS ■ CHEMICALS ■ PAINTS ■ ELECTRONICS ■ COMPUTERS ■ ELECTRICAL APPLIANCES ■ OFFICE EQUIPMENT ■ ENGINEERING ■ METALLURGY ■ CAPITAL EQUIPMENT ■ CONSUMER GOODS ■ PLASTICS & PACKAGING etc.

We offer **PERSONNEL PLACEMENT SERVICES** through our **DATA-BANK** to qualified and experienced **EXECUTIVES** at all levels who are seeking more challenging, rewarding and stimulating career opportunities, suitable to their talents and capabilities.

WE PROPOSE TO STRENGTHEN OUR DATA-BANK FOR

POSITIONS:
- **VICE PRESIDENTS/EXECUTIVE DIRECTORS**
- **GENERAL MANAGERS (PROFIT CENTRES)**
- **MANAGERS (DEPT. HEADS)/DEPUTY MANAGERS**
- **ASST. MANAGERS/EXECUTIVE TRAINEES**

LOCATIONS: **■ BOMBAY ■ PUNE ■ NASIK ■ AURANGABAD ■ JALGAON ■ NAGPUR ■ AHMEDABAD ■ BARODA ■ HALOL ■ KALOL ■ ANKLESHWAR ■ BANGALORE ■ HYDERABAD ■ MADRAS ■ DELHI ■ CALCUTTA ■ JAIPUR ■ INDORE and other major cities and INDUSTRIAL CENTRES of India.**

DISCIPLINES:
- General Administration
- Commercial
- Corporate Planning
- H.R.D./Training
- Personnel/Inds. Relations
- Security/Welfare
- Finance/M.I.S./Banking
- Accounts/Taxation/Audit
- Costing/Excise
- Company Secretary/Legal
- Materials/Imports
- Purchase/Vendor Development
- Inventory Control/Stores
- Marketing/Exports
- Branch Management
- Product Management
- Distribution/Warehousing
- Advertising/Public Relations
- E.D.P./Software/Hardware
- Project
- Works Management
- Production
- Planning
- Maintenance
- Design-Product/Machine
- Industrial Engineering
- O & M
- Engineering Services
- Energies/Utilities
- Quality Control
- Research & Development
- Instrumentation
- Tool Room/Tool Design
- Refrigeration & A/C
- Safety
- Sales Engineers
- Service Engineers
- Resident Engineers

Interested persons are requested to enrol in **STRICT CONFIDENCE** by sending complete bio-data along with a recent passport size photograph and clearly indicating preference for Position, Product, Discipline and Locations to:

MR. ANIL TELANG B. Text (Engg.), PGDM(IIMA)
Chief Executive
SHREE MANAGEMENT SERVICES
33, ISLAM BUILDING, 46, VEER NARIMAN ROAD,
OPP. AKBARALLYS, FORT, BOMBAY-400 001.
PHONE: 204 5196, 204 1245

WE DO NOT HAVE ANY BRANCHES OR ASSOCIATES

APPOINTMENTS

Delhi
Age: around 35

TOP MANAGEMENT

Rs. 10000 p.m.
+ perquisites

A highly reputed business house has entered into financial and technical collaboration with a world renowned leader for setting up a joint venture project for the manufacture of a new range of consumer products, for the first time in India, with the latest technology. The company would like to recruit the following top management personnel to be based at Delhi.

GENERAL MANAGER —MARKETING—

The selected candidate shall be responsible for setting up and managing the marketing department including evolving the marketing strategy for product launches, sales promotion and creation of the distribution network and recruitment of marketing and sales personnel etc. Experience in the marketing of consumer products at a similar level of responsibility is essential. A formal degree in business management is desirable.

GENERAL MANAGER —MANUFACTURING—

The candidate shall be initially responsible for implementing the project, including site management, coordination with the overseas collaborator, identification of suppliers for equipment and detailed engineering work with Indian consultants. After commissioning, the candidate shall take overall responsibility for manufacturing operations. Experience in factory management at a senior level is essential. Formal qualification in mechanical engineering is required.

It is expected that both the incumbents would receive training at the collaborator's overseas locations at the beginning of their assignments.

Perquisites include housing, company car and driver and other items which go with positions at this level.

Applications indicating position applied for should be addressed to:

ASHOKE BAHL
Director

MANAGEMENT SERVICES GROUP
14 Kautilya Marg, Chanakyapuri
New Delhi-110021

Applications shall be treated in the strictest of confidence and no disclosure shall be made to anyone without the candidate's prior permission.

OWER COAL OUTPUT

Production of coal in February 1989 was lower than that in January but it was substantially higher than hat in the corresponding month of the previous year. Thus, at 19.51 million tonnes (m.t.) in February, it was % lower than the 20.14 m.t. produced in January but vas about 11% more than 17.55 m.t. in February 1988. Production fell in February mainly due to the fewer number of working days in the month. In fact, per day production in February 1989 at 6.97 lakh tonnes (l.t.) was much higher than 6.50 l.t. in January 1989 or 6.27 l.t. in February 1988.

CONSUMER ELECTRONICS REGISTERS GROWTH

In terms of value, the estimated production of consumer electronics was Rs 2,400 crores in 1988 against Rs 1,820 crores in 1987 thereby registering a growth of about 32% in 1988 on the top of the 43% increase recorded in 1987. Nevertheless, the production of consumer electronics at Rs 2,400 crores in 1988 was lower than the targeted production of consumer electronics fixed at Rs 2,550 crores for 1988-89.

POWER GENERATION UP

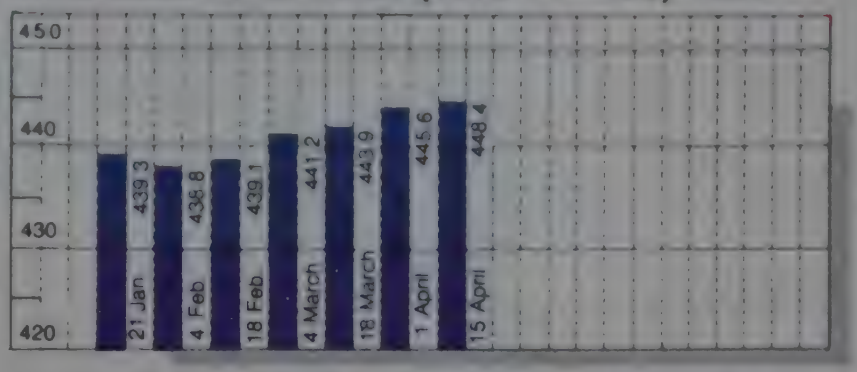
In March 1989, power generation in the country increased impressively by 13.7% as against 5.1% in March 1988. After some decline in the second quarter July-September), its growth rate subsequently picked up in the third and the fourth quarters of the year. During 1988-89, overall generation at 221 billion units was up by 9.5% as compared to the 7.5% increase in 1987-88 and the target of 12.3% for the year. Thanks to the good monsoon, hydel generation witnessed a sharp rise of 21.8% as against the steep fall of 11.9% in 1987-88. On the other hand, thermal (including nuclear power) generation increased moderately by 5.8%.

SUGAR PRODUCTION DECLINES

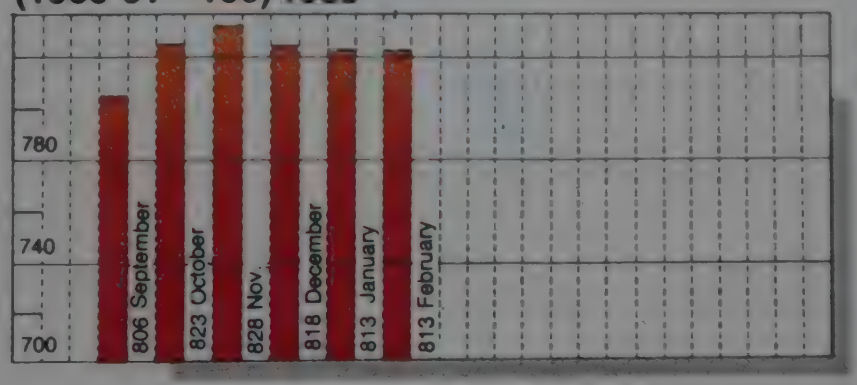
In tune with seasonality, production of sugar in February and March recorded a sharp decline — from 18.84 lakh tonnes (l.t.) in January 1989 to 17.19 lakh tonnes in February and to 15.78 l.t. in March. Production in March this year was not only 4% lower than that in February 1989 but was also about 8% lower than that a year ago.

Foreign Exchange Rates (Spot) 1989	9 May (Rs)
One P. Sterling	26.70
One US Dollar	16.00
One D.Mark	8.38
One hundred J.Yen	11.80
One Saudi Riyal	4.26
One Kuwaiti Dinar	55.03

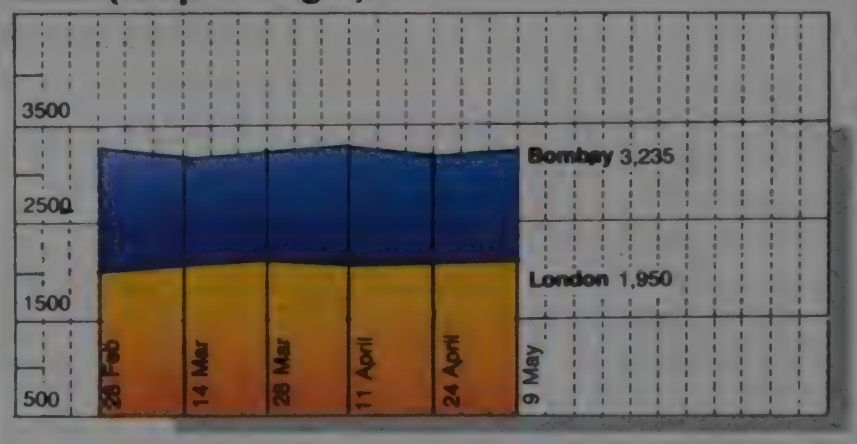
Wholesale Price Index (1970-71 = 100) 1989



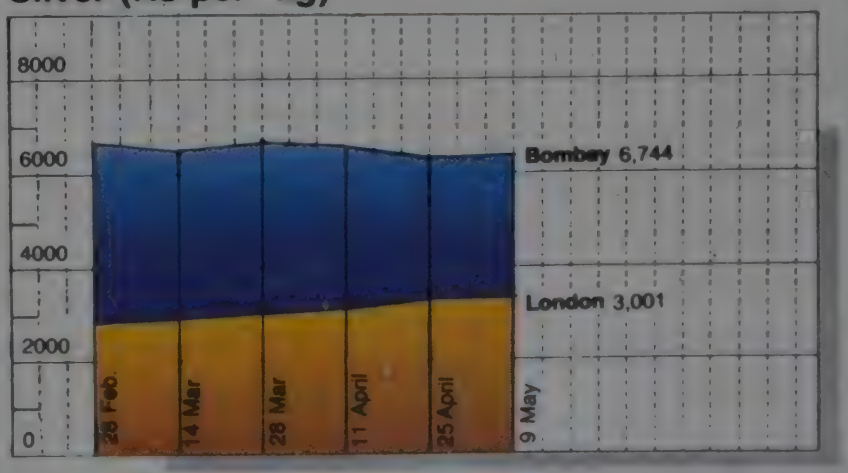
Consumer Price Index for Industrial Workers (1960-61 = 100) 1989



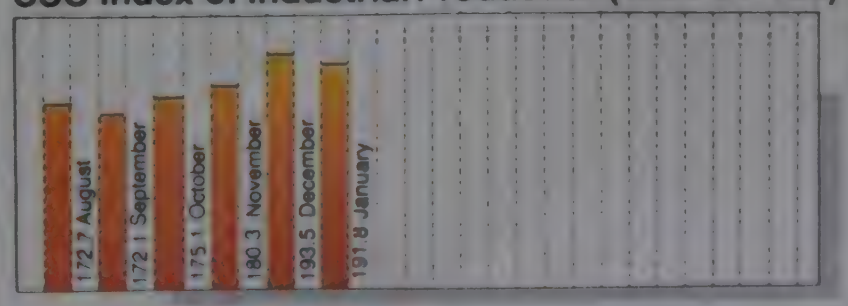
Gold (Rs per 10 gm)



Silver (Rs per kg)



CSO Index of Industrial Production (1980-81=100)





For Change

Change for the better.
Change to transform potential into performance.
Change as a process of growth, leading to fruition.



For Cookson

Eyre Smelting is now Cookson India Limited

Cookson – Global Experience at Work

In recognition of its long association with Cookson, Eyre Smelting Limited now changes its name to become Cookson India Limited. All over the world, Cookson is acknowledged as a frontrunner in the field of technology-based speciality materials and components needed virtually by every industry. Today, Cookson operates throughout Europe, the USA, Canada, Mexico, Australia, Africa and countries of the Far East with over 120 subsidiaries in over 200 locations. In electronics and aerospace, construction and ceramics, casting and printing and in many other high growth industries, Cookson is playing a major role across the globe.

Eyre Smelting – A Special Indian Experience

Eyre Smelting started operations in India in 1931 to cater exclusively to the needs of the Indian Railways with special metals and alloys for specialised applications.

Innovating and progressing with the times, Eyre Smelting today is a trusted and respected source of a wide range of high precision metallic products for over 1500 customers in the electronics, automobile, printing, casting and construction industries. A financially sound organisation, Eyre Smelting experienced a 32% growth in sales during 1986-87 and announced 25% dividend.

Cookson India – Geared for Growth

Cookson's Indian operations will not only address the growth opportunities in the Indian market but also encompass the entire Asia-Pacific region. In fact, for Cookson, this marks the beginning of a major new drive.

The unprecedented boom in the Indian electronics industry has catalysed the need for speciality materials and components. In ceramics and high temperature refractories, and in aircraft-cleaning chemicals, Cookson India is poised to contribute in a major way, with its international expertise and Indian experience. Cookson India is all set to expand its horizons with hi-tech speciality inputs for hi-growth industries. Cookson India is all set to step into the future.

Cookson India Limited
(Eyre Smelting Division)

Speciality inputs for hi-growth industries

RAMADA'S SECOND 'INN'INGS

The Ramada Hotels group is all set to spread its wings in India. Currently confined to a toehold in the country (it has a franchise agreement with Bombay's Ramada Inn Palm Grove), it should have a bigger presence shortly with the scheduled opening of its hotel in Goa. The hotel project, in which Ramada will hold a 10% equity stake, was till a few months back snagged in court cases, brought forward by environmentalists who don't want tourists flocking to Goa. But now all's clear on the legal front.

Plans are afoot to add the Ramada name to more hotels in India. At least four franchises — two in Delhi, and one each in Agra and Hyderabad — are in the works.

HOLDING CORP PUT ON HOLD

The Stock Holding Corporation of India (SHCI), which was scheduled to get cracking by mid-1988, is unlikely to be kicked off before 1990. The delays are because the SHCI wants most-favoured status in certain areas, changes in the law which it thinks are vital to its functioning.

Part of this is due to the desire of the financial institutions (FIs) to keep their exact holding pattern under wraps. (The SHCI is initially expected to conduct all transactions for the FIs and act as the holding company for all the equity they own.) Under the current scheme of things such secrecy is not possible as s.187C of the Companies Act makes it obligatory for any holder such as the SHCI to reveal details.

The SHCI also wants that the provision for compulsory tax deduction at source for dividend incomes above Rs 2,500 to be waived in its case. SHCI officials claim that Delhi is favourable to its pleas but getting the papers to move takes time. The result: the holding body has been put on hold.

CHANGES AT ITC

The coming months will bring several changes on the ITC board, what with the retirement of Samir Ghosh and C.R. Jagannathan coming up. (Two wholetime directors, D.P. Barua and A. Basu have already retired.) The possibility of the board being trimmed — till recently, it had 11 wholetimers — is not ruled out either.

One change, though, is reckoned as a certainty. K.L. Chugh (51), the highly-rated managing director of the Hyderabad-based Bhadrachalam Paperboards who has been a non-executive director of ITC for some years now, is expected to move to Calcutta as a wholetime director. Chugh is already part-time chairman of VST Industries and Tribeni Tissues. It is more than likely that he will also be appointed to this rank in Bhadrachalam Paperboards after incumbent chairman Samir Ghosh retires.

Chugh's exact designation in ITC remains a matter of conjecture. But irrespective of nomenclature, several Virginia House insiders insist that the race for chairman — J.N. Sapru retires after three years — is over even before it has begun.

CHUGH HEADED FOR CALCUTTA?



RETHINKING ON MOUs

A rethink is going on at the highest levels of government regarding the memorandums of understanding (MOUs) that public sector chiefs sign with their ministerial overlords. Several large public sector units, including the Steel Authority of India, ONGC and Air-India, have signed MOUs, but their chief executives feel that little real autonomy has flowed to them. Reason: while negotiating MOUs, public sector chiefs are not on an equal footing vis-a-vis the bureaucrats in their ministries.

Ideally, the MOU is supposed to specify performance parameters for public sector CEOs, while at the same time putting on paper the limits to bureaucratic meddling power. This hasn't really happened as one side — the administrative machinery — is more equal than the other.

But now, the cabinet secretariat itself is believed to be ready to step into the picture to see that public sector chiefs actually get their autonomy. And not just on paper. Future MOUs may be signed with officials from the cabinet secretariat acting as moderators.

TIME FOR A TRIGGER?

One fallout of the recent growth of takeover mania is that watchdogs of investors' interests are gearing up to push through protective legislation. The yet-to-be-formally-incorporated Securities & Exchange Board of India (Sebi) is mulling over a comprehensive takeover code. The code is expected to prescribe, among other things, a trigger point — to be defined as a percentage of voting rights. On reaching the point, it will be mandatory for the purchaser of a company's shares to declare his intentions and make a tender offer to the remaining shareholders.

Indications are that Sebi wants a trigger point of 5%. Currently, the point is pegged at 25%, as stipulated in Clause 40 of the stock exchange listing agreement. M.R. Mayya, the soft-spoken executive director of the Bombay stock exchange, is however, believed to favour a trigger point of 10%.

But, the moot question is: when will Sebi itself be officially triggered off?



Here's a hint on how often Swissair flies Bombay-Zurich non-stop.

The correct answer is once every day, as all regular shavers and Swissair regulars will know. The arrival in Zurich is early morning, in good time to catch our frequent and prompt connections to over 50 European business centres and to the four gateways in the USA. Our heart-warming hospitality and three-class option to all destinations add a sharp edge to whet the business traveller's preference for flying Swiss-style.

swissair

For details call your IATA travel agent or the nearest Swissair office:
AHMEDABAD 440140 • BANGALORE 571983 • BOMBAY 2872210 • CALCUTTA 444643 • COCHIN 360380 • DELHI 3325511 • HYDERABAD 224244 • KATHMANDU 222457 • MADRAS 861583

REGD NO. MH BYS-141 TN/MS(C) 673 WB/CC-525

We re-invented the wheel to give Indian design engineers a total solution



After 100 man-years of R&D we at Godrej finally took the mystique out of CAD/CAM. Instead of taking the usual short cut through foreign collaboration and imported kit assemblies, we developed a totally indigenous solution. To a multitude of Indian design problems.

World Standard Hardware

Symphony is based on the powerful Motorola 680XO family. Including the latest 68030 @ 25 MHz. All implemented on the VME Bus.

Uniplus + ™ Operating System

This system, an enhanced version of AT&T Unix™ V.3.1, provides a multi-user, multi-tasking environment. Moreover, it is a thoroughly tested implementation of Unix and runs on over 100 manufacturers' computer systems.

High Performance Graphics

Symphony offers a wide range of high resolution monochrome (1024 × 768)/ colour (1280 × 1024) monitors.

Wide range of Development & Application Software

Symphony offers a gamut of packages for fields such as Mechanical, Civil/Structural, Electrical and Chemical Engineering as well as Injection Moulding.

For example:

Draftsman's Delight — A general purpose, menu-driven 2D drafting package with a link to a data base.

Graphics Designer's Language — GDL — A parametric language which allows you to programme a standard parts library.

Godrej Solid Modeller — To create, manipulate and visualise 3D geometrical shapes interactively, with a separate data structure.

G-SAFE — A stress analysis package using finite elements with graphic pre and post processors.

CAM Package — To generate CNC instructions. It converts part-drawings into programs for NC machines.

Graphical Kernel System (GKS) — The GKS is implemented in strict accordance with ANSI/ISO standards and supports the latest 'C' binding.

Plus the Unify Data Base Management System, PC Link and Tektronix terminal emulation, as well as a host of versatile application packages.

Supports Networking

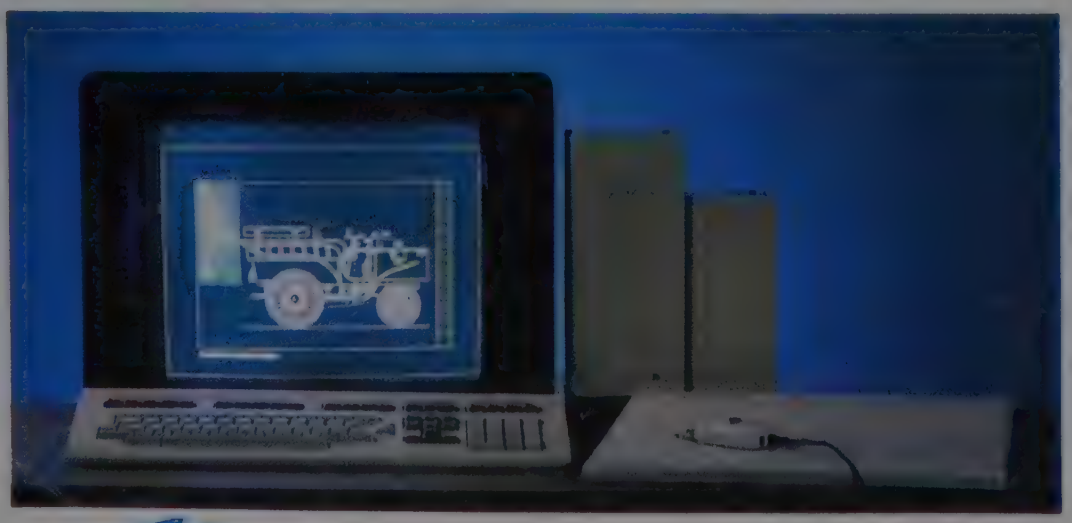
Using the Ethernet technology, Symphony ensures a high data transfer rate and the industry standard TCP/IP, Networking File System (NFS)™ protocols.

Diskless Workstations

The latest approach to the need for distributed information processing, while sharing a single database.

All Godrej Symphony configurations are available in a diskless version over Ethernet ™ and NFS.

NFS is the trademark of Sun Micro Systems
UNIX is the trademark of AT&T Bell Laboratories
Ethernet is the trademark of Xerox Corp.
UniPlus + is the trademark of Unisoft Corp.



Godrej®

Symphony CAD/CAM Made for India

For more information, contact:
Godrej & Boyce Mfg. Co. Ltd.
Marketing Department (Computers)
Plant 16, Pirojshanagar, Vikhroli,
Bombay 400 079

ULKA-11759

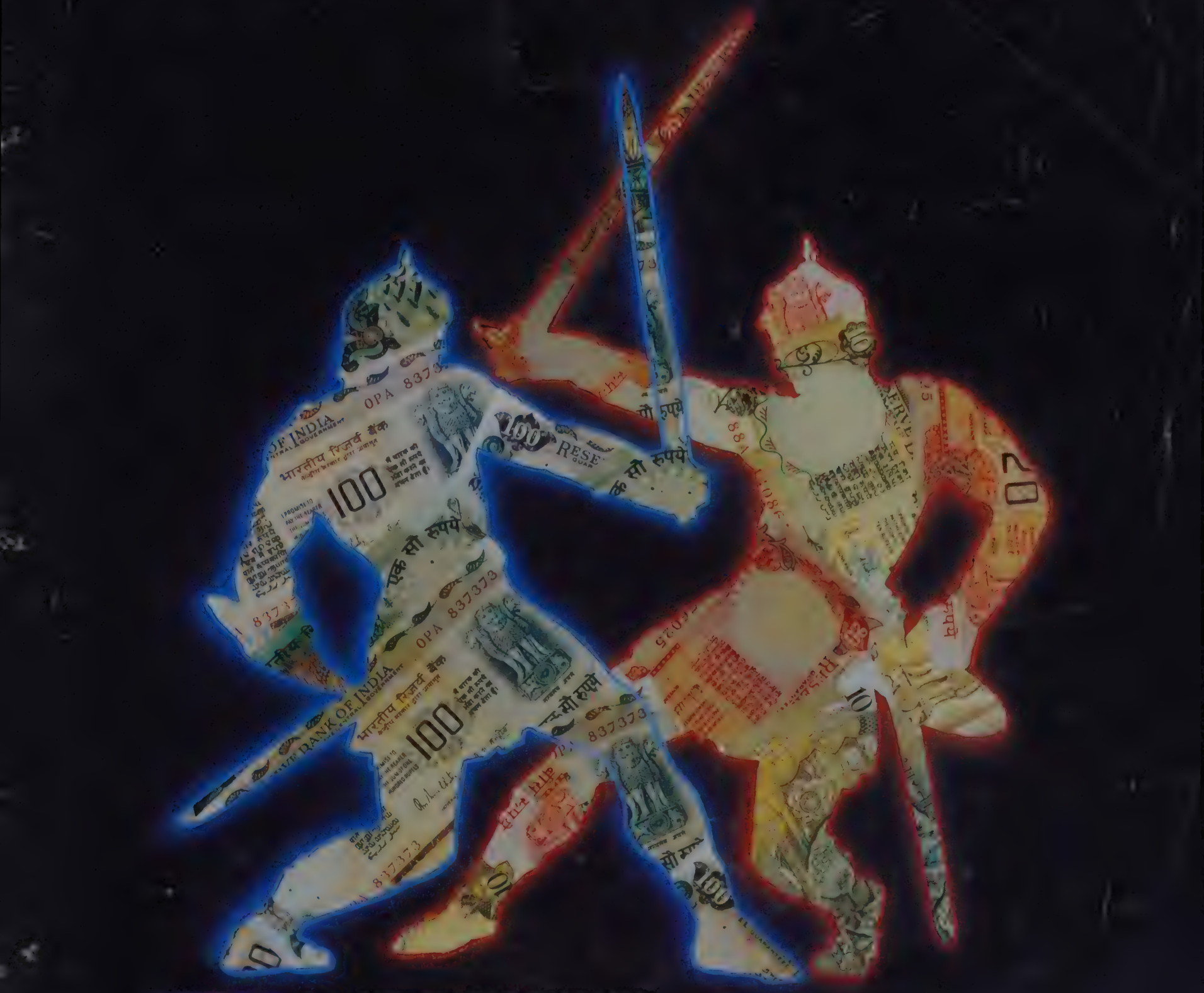
THE MAGAZINE FOR INDIAN BUSINESS

JUNE 7-20, 1989 AN ANANDA BAZAR PUBLICATION RS 7.

BusinessWorld

PRICE WARRIORS

Is price an effective weapon in marketing warfare? Karsanbhai Patel did it with Nirma. Shiv Nadar and C. Sivasankaran did it in computers. But many others got it all wrong. What makes one price warrior more successful than the other?





Tata Chemicals' CMD Darbari Seth.

- DARBARI SETH'S MASTERSTROKE
- FIAT'S EYE TO INDIA

"It was the attitude which kept the passengers happy."

This is an authentic passenger statement



Lufthansa

LIBRARY & DOCUMENTATION UNIT
16 JUN

VOLUME 9 ■ ISSUE 5
JUNE 7-20, 1989 Rs 7

BusinessWorld

the magazine for indian business

Editor
R Jagannathan
Assistant Editor
Parthasarathi Swami
Delhi
Alam Srinivas
George Skaria
Bombay
Maya Rai Choudhuri
Debashis Basu
Calcutta
Sujoy Gupta
Bangalore
N Raghavan
Hyderabad
P L Diwakar Rao
Chief Sub-editor
Mukul Pandya
Sub-editors
K. Madhavadas
Anil Wanvari
Roy Pinto
Niranjan Rajadhyaksha
Art Director
Amiya Bhattacharya
Layout
Hajoo Aslam E
Kiran Parker
Marshall Mascarenhas
■ **Editorial Office**
145 Atlanta, 209 Ceremonial Boulevard
Nariman Point, Bombay 400021
Phone: 221178, 233193
Circulation/Subscription enquiries
Bombay: Ph. 260268
■ **Head Office & Regd. Office**
Ananda Bazar Patrika Limited
6, Prafulla Sarkar Street, Calcutta 700001
Phone: 278000, 274880
Regional Offices
Bombay
145 Atlanta
209 Ceremonial Boulevard
Nariman Point, Bombay 400021
Phone: 240581, 240426
Delhi
1/7 IENS Bldg
Rafi Marg
New Delhi 110001
Phone: 385401 Ext.37 (Editorial)
383058 (Editorial)
389078 (Advtg.)
Madras
Dents Garden, 18 Pattulos Road
Madras 600002
Phone 869379, 868227
Bangalore
14, Madras Bank Road
4th Floor
Bangalore 560001
Phone: 568227, 568228
London
Wheatsheaf House, Carmelite Street
Fleet Street, London EC4
Phone: 01-353-1821
Inland Subscription Rates
One Year Rs 110
Two years Rs 220
Three Years Rs 330

BusinessWorld does not accept responsibility for returning unsolicited manuscripts and photographs. All unsolicited material should be accompanied by self-addressed envelopes and sufficient postage.

Published from 145 Atlanta, 209 Ceremonial Boulevard, Nariman Point, Bombay—400021 and printed at 6 & 9, Prafulla Sarkar Street, Calcutta—700001 for Ananda Bazar Patrika Limited by Ranen Chakraborty

BUSINESS QUOTES

■ **Earlier, we in the business used to go to Delhi with bended knees to protect our monopolies and interests. Now we have to go with bended knees before the consumers.**

Hindustan Lever chairman Ashok Ganguly quoted in *The Economic Times*.



■ **Our problems are not going to go away if we let in foreign investment by the bucketful instead of the spoonful, for our problems have nothing to do with foreign investment.**

Columnist Jay Dubashi, quoted in *The Indian Post*.

■ **I think it is necessary for us to shed (the) xenophobia that some East India Company may again rule over us if we allow multinationals to come.**

Assocham president Viren J. Shah, quoted in *Financial Express*.

■ **We do not propose to let you (Indian exporters) loose without the support necessary for you to face the dangers of uncharted oceans. We shall help you chart a course to your destination.**

Union commerce minister Dinesh Singh on the government's support for exporters, quoted in *Business Standard*.

■ **.Exporters cry wolf so often that the government has stopped listening. But this time there was a bloody wolf.**

Delhi-based garment exporter Deepak Seth on the cargo pile-up at the airports, quoted in *India Today*.

■ **Developing countries have allowed industries based on stealing to grow up, and now those industries have political power.**

Pfizer (US) chairman Edmund T. Pratt Jr on the intellectual rights controversy, quoted in *International Businessweek*.

■ **I don't think it would be in the best interests of the US to see significant instability in ... China just as I don't think it is in the best interests of the US to see significant instability in the Soviet Union.**

US secretary of state James Baker, quoted in *Indian Express*.

■ **In an era of extraordinary change, we have an obligation to temper optimism with prudence.**

US president George Bush, quoted in *Financial Times*.

■ **The (Chinese students') demands are for official accountability and for good government. That can only be good for business.**

Hongkong broking firm Baring Securities director Miron Mushkat on the effects of the Chinese students' agitation on the economy, quoted in *The Asian Wall Street Journal*.

BusinessWorld

IN THIS ISSUE



BUSINESS FEATURE

PRICE WARRIORS

A low price strategy is a tack which very few companies in India seem to have adopted. This is surprising considering the huge market for value-for-money products that obviously exists in this country. But, though there are problems in becoming a Nirma or a Babool, there are some people today giving it a try. The price warriors are creeping out of the closet.
■ PAGE 57

ECONOMY & BUSINESS

IDIOT BOXING

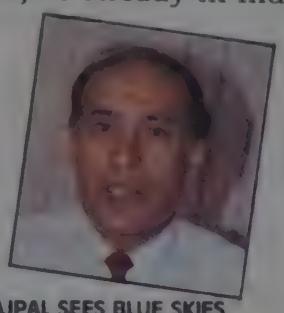
When BPL chief T.P.G. Nambiar let loose an advertising campaign claiming *numero uno* status in the television sweepstakes, it was sure to draw counterclaims. It did, with Videocon responding to the ads with its own counter-ads. The war has since cooled off, but one thing is certain: the slug-fest will continue in the marketplace.
■ PAGE 22

Other Economy & Business items on pages 21 and 23

IN THE NEWS

A STARRY ARRANGEMENT

With a host of international computer majors already in India,



RAJPAL SEES BLUE SKIES

could Hewlett Packard (HP) be far behind? The world no. 1 in testing and measuring equipment is tying up with local outfit Blue Star and HP's local representative Suresh Rajpal is aiming high.
■ PAGE 30

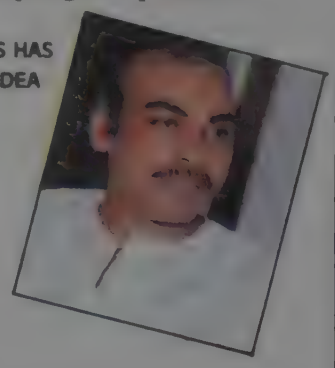
IN A DIFFERENT MOULD

Ambitious is the best word to describe Sudarshan Khaitan of Kanakdhara Steel. Currently he is hoping to fill a lucrative niche by hawking high-price, high-purity steel castings to industry.
■ PAGE 30

HIGH-TECH PIONEER

Bombay-based Gerrard Thomas is a plasma technology buff. He has bagged an award at Imtex '89 for indigenously developing air plasma

THOMAS HAS A HOT IDEA



cutters and is now trying out his hand at plasma furnaces.
■ PAGE 31

OVERSEAS PUSH

The Mittals are banking on group company Ispat Alloys Ltd (IAL) to spread their international wings further. A joint venture in Indonesia and a 100% export unit in India are on the cards. IAL president M. R. Rao is now tying up the last loose ends.
■ PAGE 32

TO OUR READERS

Due to soaring production costs, *BusinessWorld* will be priced at Rs 7 per copy starting with this issue. We hope our readers will bear with us.

GETTING THE EXPOSURE RIGHT

The picture frame is getting wider at Hindustan Photo Films. Its chief P.R.S.Rao has just flagged off a magnetic tape unit and has his eyes on a colour film making project.
■ PAGE 32

FORAY INTO GRANITE

Spartek chief Krishnaprasad Tripuraneni has come up with a novel financing scheme to shore up his entry into expensive ceramic granite tiles. Substitute for natural granite, the tiles should see him in an unassailable position in the industry if the concept clicks.
■ PAGE 33

TRIPURANENI HAS A NEW STYLE TILE



SPOTLIGHT

PARIAH SECURITIES

The Indian capital market is awash with untradable securities, with non-convertible bonds, residual convertible bonds, odd-lot shares and other such pariah scrips finding no markets. Though feeble efforts are on to create a market for the unmarketables, the capital market is still some distance away from maturity.

■ PAGE 88

BOOKS

MANAGERS ON MANAGEMENT

The Wall Street Journal may be just a newspaper but it contains a lot of tips that the manager could squirrel away for a rainy day. This book — *On Management* — contains a collection of the nuggets.

■ PAGE 44

COMMENT

FOCUSSING ON WOMEN

Marketers had better watch out while targeting products towards today's Indian woman. The old stereotypes and axioms are no longer valid.

■ PAGE 14

TEN ELEMENTS IN TURNAROUND

Rescuing a sick outfit requires action on many fronts. There are 10 basic elements that must be considered. A comparative case study details the crucial moves that must be made.

■ PAGE 18



NATIONAL INSURANCE COMPANY'S OTC COUNTER: A BOON TO HAPLESS ODD-LOT SHAREHOLDERS

CONSUMER LENDING

Banks have discovered that there is big money in giving loans to individuals to purchase consumer durables. They are lining up a host of financing packages to lure King Consumer.

■ PAGE 27

SPECIAL REPORTS

FIAT TAKES A NEW ROAD

Fiat of Italy, no longer a humble car-maker, is returning to India. Expectedly, this time it is planning to enter into a host of other areas ranging from telecommunications to agricultural machinery. Local representative Ugo Lanfranchi is confident of taking the group places in its second run.

■ PAGE 46

LANFRANCHI IS STEERING A NEW COURSE. INSET: THE FIAT TRACTOR



A FERTILE MERGER

Tata Chemicals' chairman Darbari Seth has decided to merge his company with another of his offspring — Tata



SETH HAS A NEW STRATEGY

Fertilisers. This will not only help turn around the currently unviable fertiliser outfit, but will also create a Rs 1,000 crore asset giant in the process.

■ PAGE 48

OTHER PAGES

BUSINESSPEOPLE ■ PAGE 4

EDITORIAL ■ PAGE 5

LETTERS TO THE EDITOR ■ PAGE 6

GOVERNMENT WATCH ■ PAGE 9

AD & MARKETING WORLD ■ PAGE 12

ECONOMIC COMMENT ■ PAGE 20

POLITICAL COMMENT ■ PAGE 36

COMPANY NEWS & EVENTS ■ PAGE 37

TECHNOLOGY PLUS ■ PAGE 49

TECHNOLOGY BRIEFS ■ PAGE 54

INTERNATIONAL NEWS ■ PAGE 69

TAXATION ■ PAGE 81

NEW PROJECTS ■ PAGE 83

MONEY & INVESTMENT ■ PAGE 84

STOCKMARKETS ■ PAGE 86

PEOPLE & PLACEMENTS ■ PAGE 96

APPOINTMENTS ■ PAGE 97

ECONOMIC REVIEW ■ PAGE 117

OFFSTAGE ■ PAGE 120

Cover artwork by Sandip Bhattacharya



O'HARA & KOHLI (R) KEEP AN EYE ON PIRATES

Tata Consultancy Services (TCS) has tied up with Lotus Development Corporation to flog the latter's range of software in India. But TCS director Faqir C. Kohli and Lotus' regional manager for India, John O'Hara, have quite a job on their hands.

"Currently there are about 1 lakh PCs in India which can run Lotus," says Kohli. "Some 70% of them already do. But most of the copies are pirated." So the duo's top priority right now is tackling the pirates. "We have a special budget for that sort of thing," says O'Hara. "We will be spending some of it here."

Apart from the normal legal channels and appeals to the government to tighten copyright laws, Kohli sees another reason for hope. "I have been hoping most of the pirate products will carry a virus. That will, to some extent, solve the problem," he says.

The bugs may do their bit, but the combine is not banking on them for success. "Only we can offer the support service," says O'Hara. "Once you educate the consumer, they will start using only legal software." For the tieup it is a question of not teething but teaching troubles.

The screaming advertisements from Mukand Ltd. say that managing director Viren J. Shah is looking for a 'right arm.' But, limbless or not, he has taken on the added responsibility of being president of Assocham with customary panache. In a minor coup of sorts, he got Union commerce minister Dinesh Singh to inaugurate the recent 69th annual session of Assocham.

It wasn't easy. Singh had earlier graced the Ficci bash and, given the rivalry between the two apex industry bodies, he was reluctant to give a repeat performance at the Assocham meeting. But Shah, no doubt drawing upon the ties he had developed with Singh when both were members of the undivided Janata Party, had the last word.

"Wooing him (Dinesh Singh) for the inaugural was like getting to take a lady out for lunch for the first time," says Shah. This 'lady,' for one, succumbed to suitor Shah's charms.

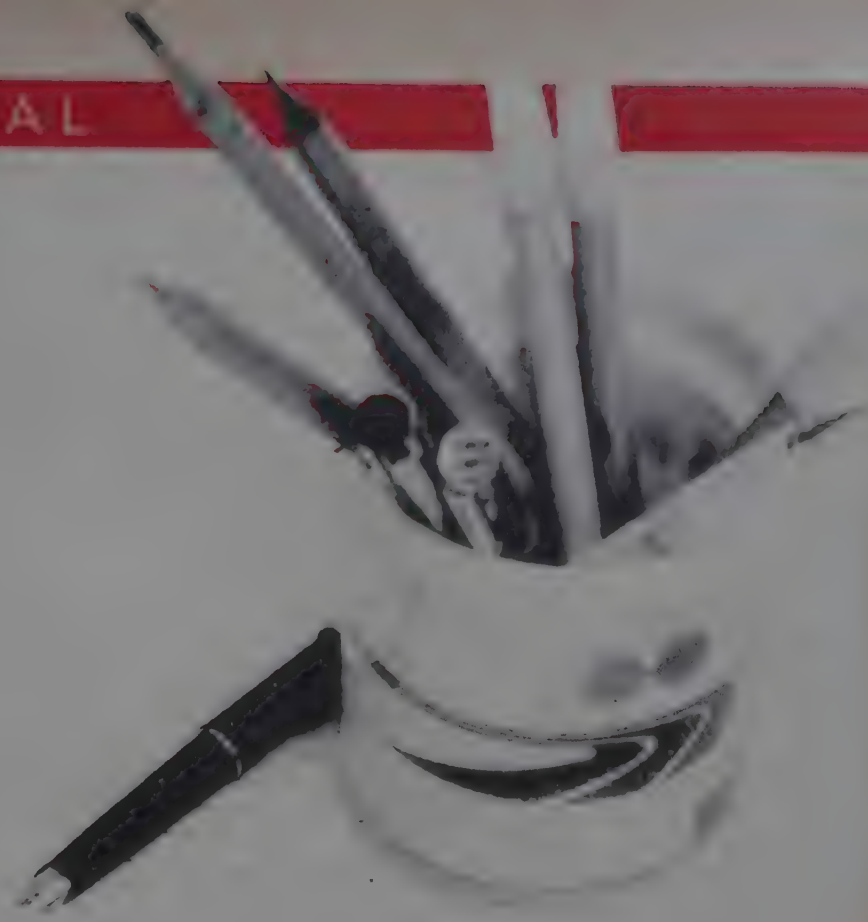
SHAH'S WOOING WORKED



FAIR PLAYER MOSCZYTZ

The Ramada Resort in Goa, the construction of which had got bogged down in litigation over environmental clearances, is at last free to fly. Dan Mosczytz, senior vice-president of Ramada International, who is on the board of the Indian outfit, is philosophical about the month-and-a-half delay. "In a way it has been the best sort of publicity for us," he says. "At least it is an acknowledgement of the fact that competition is taking us seriously."

But where does competition enter the picture: the courts were after all moved by an environmentalist? "We all know who was behind him," says Mosczytz. He wouldn't, however, like to name names. Others, he avers, can play foul; it is not the sort of thing Ramada resorts to.



QUE FERA, FERA?

A welcome bit of news from North Block is that the Union government is vetting a clutch of proposals which collectively seek to alter the Foreign Exchange Regulation Act (Fera) of 1973. It seems the administration has belatedly woken up to the fact that Fera has been playing an infamous role in hampering India's international trade. Enacted in a fit of socialistic pique, Fera has wholly regulatory rather than developmental objectives.

Sadly, the international marketplace is no respecter of doctrines. And all too predictably, Fera has not helped the country surmount its foreign exchange crisis. After all, what Fera overlooks is that foreign exchange outflows interact with the inflows to form a dynamic continuum. The Act, however, restricts outflows without considering the impact on inflows.

In today's context, any legislation on foreign exchange has to be given shape to as an enabling (and not a regulatory) law. Our national economic goals — for upgrading technology, improving competitiveness, escaping the high-cost trap, leapfrogging into a higher stratum of productivity and so on — warrant this. On the other hand, the present control regime in Fera is eminently suited to thwarting the quick fulfilment of these objectives.

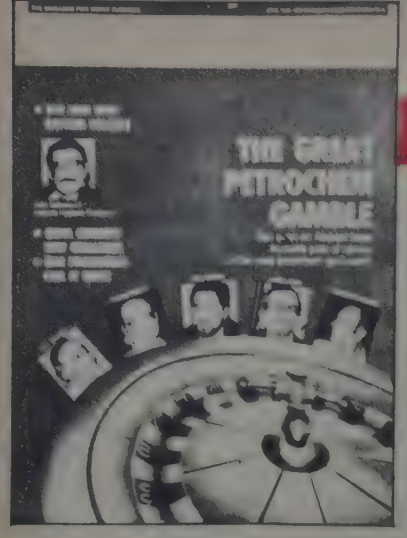
It is a happy augury for the nineties that our policy planners now acknowledge the need for a fundamental directional and qualitative change in Fera. By all means, let us keep an eye on the foreign exchange situation; but by focussing on this aspect alone one is missing out on developmental prospects.

Preliminary reports indicate that the Fera changes being envisaged will usher in a far more liberal foreign exchange regime than ever enjoyed by Indian industry. For instance, it is proposed that foreign companies may be allowed to invest up to 51% by way of equity in manufacturing companies in areas where such equity participation is not currently welcome. Another proposal is that Indian trading houses be allowed to enter trading activities with inputs produced abroad. Conversely, foreign trading organisations will be allowed to operate in India for the procurement of manufactured goods for export to other countries. Joint ventures with foreign companies (in trading activities) could also be permitted.

All these are steps in the right direction. The gains for India will be clear and immediate: quality upgradation, penetration of new markets and technical assistance in market development. In bottomline terms, the overall earnings inflow should stand significantly augmented.

So far so good. The trouble is, these laudable proposals might not see the light of day. For a government anxious to play to the gallery on the eve of general elections, revamping Fera may not be on top of the agenda.

LETTERS TO THE EDITOR



NO OBSESSIONS PLEASE

Your Spotlight on Balsara (*BW* 12-25 April) made good reading. It requires tremendous guts to fight, as Balsara has done, a multinational colossus like Colgate.

Please publish more such stories. Otherwise, it seems *BusinessWorld* is obsessed with the Hindustan Levers, ITCs and L&Ts. Give us more on the likes of Vijay Mallya, Manu Chhabria and 'Nirma' Patel.

P.S. GUPCHUP
Bombay

COLGATE'S RESPONSE

This refers to your Spotlight item on the Balsaras (*BW* 12-25 April). A number of articles (or sponsored advertisements) have appeared in certain publications on the actions taken by Colgate-Palmolive (India) Ltd. against Balsara Hygiene Products Ltd. in regard to the latter's recent launch of Babool toothpaste. Some of these reports are factually incorrect and misleading. We are, therefore, providing you with the facts for your information and that of your readers.

In June 1988, the Balsaras launched Babool in a carton that had a getup and colour scheme similar to Colgate Dental Cream. Since this amounted to a violation of the trademark rights of Colgate, a civil suit was filed by us in Ahmedabad. The court issued an *ad interim* injuction against the use of the colour scheme and getup by the Balsaras. The latter appealed to the court to vacate the *ad interim* injunction, but on 30 January 1989, their plea was refused.

In the first week of February, Aspi Balsara, managing director of Balsara Hygiene Products, approached the solicitors of Colgate for an out-of-court settlement. A settlement was duly reached under the terms of which the Balsaras agreed to adequately differentiate the Babool pack. They were, however, allowed to use the existing cartons for the disposal of stocks by 15 March 1989.

Some 10 years ago, Colgate had to go to court when the Balsaras launched their Promise toothpaste with a colour scheme similar to that of Colgate. The Promise carton was then modified by the intro-



THE ROOT OF THE PROBLEM

duction of a green band, but this was not acceptable to Colgate. Hence the suit against the Balsaras is still pending with the court.

B. MUKHERJEE
Communications Manager
Colgate-Palmolive
Bombay.

WRONG STATEMENT

The article 'IDM promoters call it quits' (*BW* 12-25 April) contains a grossly inaccurate statement regarding the distribution rights of Computervision in India. These rights were *not* lost by Tata Unisys subsequent to the Prime-Computervision merger and Tata Unisys continues to sell and support Computervision software and hardware products.

P.G. HEBALKAR
Senior Vice-President
(New Business Unit),
Tata Unisys Ltd.
Bombay.

WASTEFUL ADVERTISING

Walter E.Vieira is right when he says that a large part of advertising expenditure in India is wasteful (*BW* 12-25 April).

On reading the article I am reminded of an irrelevant ad of JK Cement. It features a gentleman in formal attire holding a flute in his hands and saying: "When my contractor asked me why JK Cement, I said because it sounds good. Of course, it's not 'sounds' as in music." For God's sake, they're selling cement, not high-fashion consumer goods! While the picture is irrelevant, the copy is downright stupid.

Vieira could have mentioned the wastefulness of running an ad for too long. A prime example of this is the ad for Colgate toothpaste ("Bad breath, etc." and "get the Colgate ring of confidence"). Even an excellent ad featured over a long period irritates. Of the Colgate toothpaste ad, the less said the better.

Consider the use of hoardings. What is the degree of recall by viewers when it comes to remembering a giant-sized hoarding of, say, a truck (or a car) tyre featured on a busy highway? How does that hoarding help boost sales? And how does it enhance the manufacturer's image?

Proper targeting is vital too. Thus, an ad for a specialised book on taxation would reach its target audience more effectively if it were advertised in the journal of the Institute of Chartered Accountants of India rather than in a mass-circulated daily. Yet many advertisers do not really target their advertising properly.

One question comes to mind: doesn't a lot of this waste originate from the offices — and minds — of those who ought to know better — the marketing professionals themselves?

Y.S. DESHMUKH
Pune.

WHOSE OPINION?

I was amused to read K.V.Rao's article on balance-sheet hanky-panky (*BW* 12-25 April). The author criticises banks for creating a false impression among customers by presenting wrong facts and figures. You describe Rao as a member of the faculty of the SBI staff training centre. As a bank official, he cannot criticise the operations of nationalised banks, more so because of his responsibilities as a teacher who trains bank employees about their commitments under social banking.

Are the views expressed by Rao his own opinion or are they the opinions of the SBI?

S.K. SINHA
New Delhi.

LETTERS TO THE EDITOR

PATERNALISM AT INDAL

I do not agree with the view of Sheena John in her letter (*BW* 12-25 April) that management standards at Indal are deteriorating because of the recruitment of former managers' children. This policy has fetched the company the undivided and undisputed loyalty of its staff.

The staff welfare measures of Indal win it the best managers. I can speak from personal experience. My father died while in the service of Indal and the company continued to pay his salary till retirement age, with all increments and benefits, to my mother. Subsequently, they gave me a job to support my mother and footed the entire bill of getting me a divorce. This kind of management support gets the best out of its staff.

NISHA J. ZACHARIAH
Kumarapuram, *Kerala.*

KID GLOVES WON'T DO

This refers to P.N. Khandwalla's article 'Two Routes to Turnaround' (*BW* 12-29 April). According to Khandwalla, there are two approaches to turning around a low-performing company — the surgical method and the humane one. He would have us believe that this is an either/or situation.

Anyone who has handled such a situation will vouch for the fact that there is no simplistic humane approach to a turnaround. Turnarounds are messy affairs that call for tough decisions. Both the surgical and humane methods may need to be applied alternatively. There is hardly a turnaround where surgery can be evaded. Even if one were to swear by the humane method, one still has to resort to tough measures like reduction of staff, streamlining of systems and reorganisation of structures. There will always be an intransigent union or managers with vested interests that one has to contend with. Very often the elements who have brought the organisation to its messy situation will be the ones to resist changes (for fear that it may expose them or deprive them of fraudulent benefits). Such elements must be confronted with surgically, if necessary.

A turnaround is not a situation that is amenable to behavioural science-based approaches.

SUDHAKAR NAIR
Bombay.

WRONG INFORMATION

Your Offstage item, "Fuelling competition" (*BW* 26 April-9 May), states that the output of the TVS group's fuel injection equipment project will be sold to other manufacturers besides finding captive use in TVS-Suzuki's two-wheelers and mopeds.

This information is totally wrong. No two-wheeler uses fuel injection equipment.

A.G. KANNIAH
Thane.

ACCIDENTS IN PERSPECTIVE

I read the Social Issues article titled 'What about the mini-Bhopals?' (*BW* 29 March-11 April) with interest. I must compliment you for impartially putting the views of the various people concerned, but the article as a whole, when read with the writer's comments, seems to lead us away from reality. I would like to put the issues in proper perspective.

At one point, the article says that "at work places, accidents are clearly on the rise...." there is a fallacy in comparing bare numbers since the number of factories has also gone up. The right figures to compare would be the ratio of accidents vis-a-vis the number of factories or the workforce employed.



THE BP FIRE OF 1988: NOT A REGULAR HAPPENING

Any human activity will, at some time or the other, lead to a hazardous situation. Maybe some industries like chemicals are more hazardous intrinsically, but plant layout, design, and operations and maintenance practices do take these factors into account. Going in for world-size plants and new technologies is pushing up plant sizes and complexities. Any accident today, therefore, results in higher damages *per se* in terms of numbers. But as a ratio of total activities performed, the accident figures are still going down.

Despite the best efforts, accidents can happen. Our endeavour at Bharat Petroleum refineries is always to minimise them and control them effectively when they happen. Our refinery accident, which took place after 34 years of operation, proves this point.

Finally, I have one additional point to make. The unfortunate part of any accident is the loss of human life. And the value of human life is the same, whether it is lost in a road accident, a railway accident, an industrial accident or a murder. Should we not have an enactment by which compensation is payable on equitable norms whatever be the cause of loss of life?

K.R.S. NARAYAN
Director (Refineries)
Bharat Petroleum
Bombay.

HOLLOW ARTICLE

Your article on 'Will Sail's perestroika work?' (*BW* 1-14 March, 1989), suggests that your correspondent got carried away by the publicity and propaganda department of Sail as well as by V.Krishnamurthy, Sail's chairman. I feel Krishnamurthy is snatching credit for the jobs done by general managers and chairmen of Sail in an earlier era.

If you have to boost someone, please do it to someone who really deserves it. If your correspondent had taken the pains to contact workers, executives and others in their homes and in strictest confidence, he would have perceived the hollowness of his own article.

B. MALLICK
Vadodara

To demonstrate the versatility of the Z-75 heavy-duty vacuum cleaner, we'll drop a few names...

GODREJ, HONGKONG BANK, MAFATLAL, OBEROIS, PFIZER.

Read on to see why they're so satisfied with the Z-75...

VERSATILE

The Z-75 comes with a wide range of accessories that enable it to totally clean everything, from floor to ceiling: all kinds of floors, carpets, computers & computer peripherals, sophisticated electrical and electronic equipment, etc.

POWERFUL AND HEAVY-DUTY

Two motors and high vacuum pressure, make the Z-75 powerful. Since it is heavy-duty it can be used where long periods of operation are required.

COMPACT

It's a compact, heavy-duty vacuum cleaner, with a unique, self-contained accessory pocket (for flex cord and accessories). And, it has a large volume dust bag – with a capacity of 10 litres. A strong handle, the low body weight and sturdy castors make it portable, and manoeuverable. So, it's ideal for cramped spaces.

UNIQUE

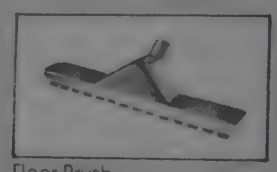
The unique feature of the Z-75 is the 'Blower End'. When the spray bottle (a standard accessory), is attached to this end, almost anything can be sprayed. Insecticides. Disinfectants. Room fresheners. And, even paint!

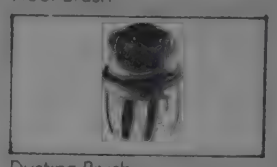
For convenience in servicing, there are over 40 service centres, all over India.

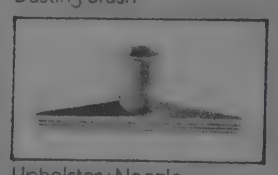
For a free demonstration at your premises, contact:

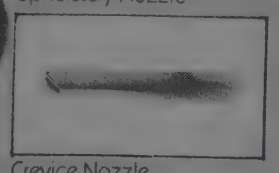
EUREKA FORBES LTD.
Industrial Products Division
Forbes Bldg., 4th Floor, Charanjit Rai Marg,
Fort, Bombay 400 001.
Tel: 2044695, 2043286, 2047870.

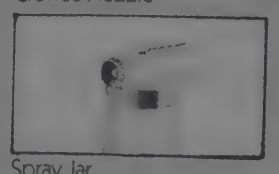



Floor Brush


Dusting Brush


Upholstery Nozzle


Crevice Nozzle


Spray Jar

Z-75
The first name in compact heavy-duty vacuum cleaners.

everest/88/EFL/431

COMPUTER MESS

The nationwide computer network — Nicnet — built by the National Informatics Centre (NIC) at a cost of Rs 120 crores is increasingly looking like a white elephant.

Three large, imported mainframe computers, which came in tandem with commissions for an influential business family of Delhi, are virtually going abegging. The computers, supplied by Nippon Electric Co. (NEC) of Japan, have been installed at Bhubaneswar, Pune and Hyderabad — the three regional NIC centres. (The fourth NEC machine located at Delhi is, however, being effectively used.)

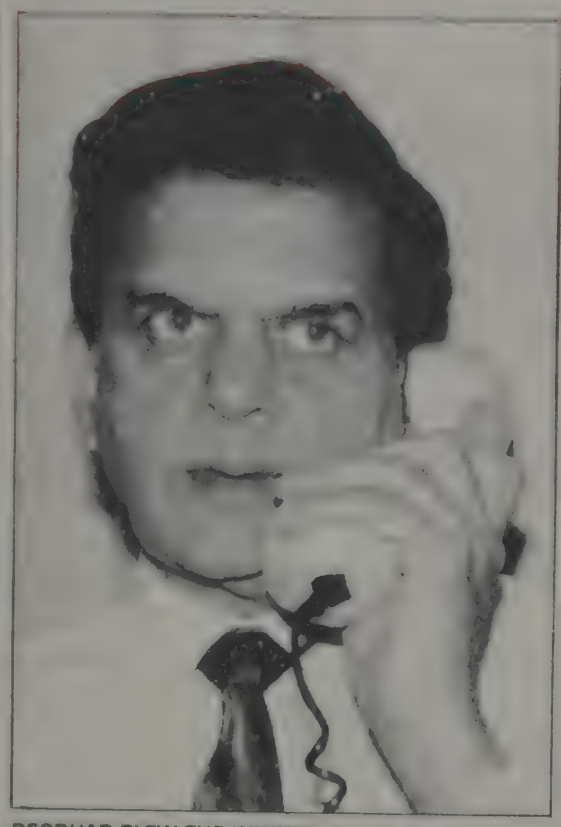
An inter-departmental committee set up to review the working of the NIC submitted a report recently to the prime minister. In part it read: "It is understood that even though reasonably staffed, the CPU (central processing unit) power of the three regional computers is severely underutilised. The committee feels that the mainframe NEC computers should be put to full use and their spare capacity should be made available for public use on payment terms."

The committee, headed by P.S. Deodhar, advisor (media) in the cabinet secretariat, has effectively responded to the excuses given by the NIC as to why it cannot rent out the computer power to prospective private users. The committee says: "NIC should announce a time-bound programme to make available various databases (that were) promised to be established as part of its action plan, clearly indicating the dates by which they would be made available and the methodologies for their effective utilisation."

The comptroller and auditor general (CAG) has also rapped NIC for the premature import of a supermini computer from Norsk Data of Norway. The machine, which was to be installed at Calcutta, was received in July 1986 but remained unused for two years.

The CAG, in a recent report on scientific departments, said some of the computer parts were "catching rust due to humidity" in the godown.

The story of the Nicnet empire is, however, incomplete if one does not also talk about how NIC bought the four S-1000 series NEC mainframes. The decision to buy the machines



DEODHAR BLEW THE WHISTLE

was taken in a great hurry in 1984, bypassing the tendering requirements. After signing the contract in December 1984, NEC delivered the machines in 1985 and these were installed in 1986.

Even though there were no tenders and thus no competition for NEC, the company allegedly paid a hefty commission of Rs 1.8 crores to a Delhi-based business family with close links to the powers-that-be. The machines may have taken a long time to commission, the other commission didn't take much time at all.

OILING FOR OIL

Reliance Industries, which has bounced back after being in the doghouse for some time during V.P. Singh's heyday, seems to be making offers to the government which it cannot refuse. Dangling the carrot of $900 million in foreign exchange for its Hazira complex, the company seems to have successfully sold the idea of an integrated petrochem complex to the government.

The company has now offered to "develop" the Gandhar oilfield at a cost of Rs 1,200 crores. Reliance's bid to reap the harvest sown by the Oil & Natural Gas Commission (ONGC) has created quite a stir and a lot of people are waiting to see what decision the government takes. The ONGC is naturally furious. The major problem in the oil business is discovering a potential field. Once a field is delineated, taking out the oil is only a question of investment. If someone comes along and says that it is ready to develop an oilfield and share the profits, the company which discovered the field is not going to welcome it.

This is especially so because ONGC has the money needed to develop the field. But in these happy days for Reliance, anything is possible. It knows all the techniques of oiling the government machinery to get it moving, so why not oil it for oil?

POWERLESS PEOPLE

Power to the people is an evocative slogan. And the central government has promised to achieve this through the Constitution (64th Amendment) Bill. The power brokers are to be banished through this measure and real power restored to people at the panchayat level.

Conceptually, the idea is a brilliant one — particularly on the eve of general elections. But how much say will people have at the local government level? How much power do they really wield now?

Two recent events in Delhi, right under the nose of the Centre, go to illustrate who really operates the levers of power at the municipal level. The Municipal Corporation of Delhi banned in the middle of April (just when the summer was setting in) the operation of water trolleys. The corporation felt this was a health hazard. But within three weeks the ban was lifted, though there were an estimated 2,000 unauthorised water trolleys. Did the health hazard disappear? No. It was found that several councillors owned these trolleys.

The second instance was the impounding of over 1,000 cycle rickshaws which operate in the crowded Chandni Chowk and Kashmiri Gate areas of Old Delhi. Again, it was found that these were owned by a handful of contractors. The impounding order was rescinded.

These two instances to show how power brokers operate at local government levels. If "power to the people" can eliminate these middlemen, it is all to the good. It has not happened in Delhi. The powerful remain powerful. Will the situation be different in other parts of the country?

An Issue designed for investors!

Carona

Fully Convertible Debentures

CARONA Ltd., one of India's leading manufacturers of a wide range of footwear, commenced operations 36 years ago. Today, the Company has a factory in Bombay and a strong network of 335 Retail Stores, 276 Wholesale Distributors, 16,000 Private Retail Outlets and 25 Sales Depots, through which over 18 million pairs of footwear are sold every year.

Collaboration with PUMA of West Germany

CARONA is now poised for a giant leap into the future as the result of a technical collaboration with PUMA of West Germany for the manufacture of speciality sports shoes at a new factory in Aurangabad. Commercial production is scheduled to commence in the last quarter of 1989.

An opportunity to acquire a Carona Equity Share for only Rs. 40/-.

To meet a part of the cost of the PUMA project, as also the cost of modernisation/expansion, CARONA Ltd. will shortly enter the capital market with a Rights/Public Issue of 23,12,500 Fully Convertible Debentures of Rs. 80/- each, aggregating Rs. 18.50 crores.

Out of the above, 4,25,000 Debentures, aggregating Rs. 3.40 crores are reserved for allotment on a preferential basis to Non-Residents of Indian nationality/origin on repatriation basis.

At the end of six months from the date of allotment, each Debenture of Rs. 80/- will be fully and automatically converted into 2 Equity Shares of Rs. 10/- each at a premium of Rs. 30/- per share. An Issue that will make you leap in appreciation.

FINANCIAL HIGHLIGHTS

(Rs. in lakhs)

	1983-84	1984-85 (14 mths.)	1986	1987	1988	1988 %age over 1983-84
Turnover	2881.35	4038 60	4005.93	4395.28	5045.33	75%
Gross Profit	160.46	234 89	256.72	287.72	380.83	137%
Net Worth	171.80	546.95*	589.46*	687.23*	824.90 *	380%
Dividend	10%	20%	20%	25%	30%**	

* Inclusive of Revaluation Reserve
** On enhanced capital

HIGHLIGHTS

- Well established Company with an excellent track record of growth, profits and dividends (Dividend for 1988 – 30%).
- All India marketing network of 335 own outlets and 16,000 private retail outlets.
- Technical collaboration with the world-famous PUMA of West Germany, one of the largest producers of sports shoes and sports goods in the world.
- Commercial production from PUMA sports shoe project at Aurangabad scheduled to commence in the last quarter of 1989.
- Opportunity to acquire a Carona Share at only Rs. 40/- (Market Price of Rs. 155/- * as on April 28, 1989 on the Stock Exchange, Bombay).
- Full conversion at the end of 6 months from the date of allotment.
- Listing on Bombay, Ahmedabad and Delhi Stock Exchanges.

* Cum-Bonus Cum-Rights



MANAGERS TO THE ISSUE

The Industrial Credit & Investment Corporation of India Limited,
Merchant Banking Division

CANBANK FINANCIAL SERVICES LTD
A wholly owned subsidiary of Canara Bank
Capital Markets Group
115 Atlanta
Nariman Point

DSP Financial Consultants Ltd.
914 Raheja Chambers
213 Backbay Reclamation
Bombay 400 021

Grindlays Bank
ANZ
Merchant Banking Division
270 Dr. D.N. Road

Hegent Chambers
208 Ceremonial Boulevard
Nariman Point

CO MANAGERS TO THE ISSUE

Bank of India
Merchant Banking Department
Stock Exchange Building
Dalal Street
Bombay

Carona Ltd

Regd Office: New Udyog Mandir Compound,
Mogul Lane, Mahim (West), Bombay 400 016

NOW IN TECHNICAL COLLABORATION WITH

PUMA®

Registered Trademark of PUMA AG Rudolf Dassler Sport
West Germany

A leap into the future

PUBLIC ISSUE OPENS ON 19TH JUNE, 1989

Concept

FSL ON THE OFFENSIVE



The problem with taking the opposition head on is that there could be unexpected repercussions. Indodan Industries, which laid siege to the Food Specialities Ltd. (FSL) bastion with its Gold Cafe launch, is now discovering that.

FSL's initial reaction was self-defence. All activity was concentrated on protecting Nescafe's market share. Now that the free offer of a cold coffee shaker has wooed back consumers in the summer months, FSL is all ready for a monsoon counter-stroke. Its answer is to launch a challenger in Indodan's stronghold — Indana ghee.

FSL has thus introduced Everyday pure ghee. The product is riding piggyback on the EveryDay name which was popularised with the launch of EveryDay dairy whitener a year ago. The ghee was test-marketed in home-base Delhi three months ago but, alongside, the 15 kg tin was sold in the Bombay wholesale market at a hefty premium. In the absence of mass media advertising, brand awareness has been low but the ghee has been going places because it is considerably cheaper than Indana.

EveryDay will, however, need a lot of selling to retailers as the margin is a paltry 5% — just Rs 3 on a consumer price of Rs 66 for a 1 kg tin. The brand will very evidently have to rely on pull rather than push.

The ghee does not seem to have any USP as such. All the literature and the tins highlight that it is a "product of Moga." But whether the Moga connection (Moga is a town in Punjab where FSL concentrates its milk collection operations) will sell is anybody's guess.

The delay in the full-fledged launch may, however, allow Indodan to ready its defence strategies. FSL will have to gee up if it does not want its ghee dreams to go up in smoke.

DEES IS A JUICE

There is no hard and fast rule about the time gap between a teaser campaign and the release of the theme ad. The only thesis one can lay down is that the teaser should not be forgotten when the actual product is introduced in the campaign. But, anyway, a six-month gap seems a shade too long.

The relatively new ad agency — Rhizic — does not seem to think so. Late in 1988, a teaser hoarding campaign was released at prime locations in Bombay announcing the arrival of Dees. Like all good campaigns, it initially had the consumers mystified and expectant. Months later, they still were.

Now, however, the mystery has been revealed. Dees has crept into the market with expensive colour ads in the mass media.

On the face of it, there should be a market for Dees — a range of sweetened natural juices without colouring agents or preservatives. Dees has also played safe by not going in for the guava and apple flavours. Its menu is orange, pineapple, mango and tomato. The only show of innovation has been to mix all four into a punch. The packaging is also a bonus as the bottles are reusable.



Aside from the fact that the product is not very available, the other problem could be the price. The ad copy just mentions "premium pricing" but it is very likely that the final offering will be out of reach of the average consumer.

Dees is also going to be available only in 600 ml bottles which means that it cannot be an impulse purchase. Like the canned juices, Dees will have to settle for home entertainment situations.

Dees could well have taken a page out of Mafco's book which last month launched a new concept in fruit drinks in Bombay — the Fruit Fountain. At these fountains, chilled diluted juices are dispensed at just Rs 3 per glass. At that price it has been perceived as excellent value for money and the cash counters are reported to be working overtime. Dees may not be so lucky, as most people have stopped puzzling over the question: "What is Dees?"

UPDATE ON URBAN MARKETS

Even though a degree of professionalism has been creeping into marketing and market research, one of the problems in India has always been the absence of hard data. The basis for all brand projections — whether new or old — is the population of the country.

All that was available so far was the 1981 census data. Given the population growth, basing current sales projections on ancient figures cannot but result in wrong estimates. The problem has to a certain extent been now solved with the release of the Urban Census Update by market research outfit Mode. The Update gives the compounded annual growth rates using the 1971 and 1981 populations of each town.

Regrettably, the Update is not as detailed as the Thompson Urban Market index which cues the user on the economic profile of the towns by including data on employment, trade and commerce. Using the two in tandem — the Thompson index for town profile and the Update for currency — may be better than the random shots being taken now. Is there an option really when all data is dated?



Going abroad?

For a small premium in Indian Rupees, you can pay for a major medical emergency
(in foreign exchange)

OVERSEAS MEDICLAIM

■ It pays for your emergency medical expenses in foreign exchange. No need for a special application to RBI. ■ Payment upto a limit of $ 50,000 (or $ 1,00,000 in USA/Canada). ■ The premium is relatively small, payable in Indian Rupees.

■ Overseas Mediclaim covers you for the cost of medical emergencies arising from sudden illness or accident, in any part of the world. However, the policy will not pay for any pre-planned medical treatment. ■ Overseas Mediclaim is backed by an international claims settling agency which provides essential services like issue of claim forms, processing of files & negotiations with hospitals and doctors, if necessary. ■ Proposals are subject to medical examination for travellers above 40 years going to USA/Canada and above 60 years to other countries.

Premium: The premium will depend on your age, duration of trip and destination. The following extract from the Premium table gives you an example of how premium is charged.

Illustrative Premium Table

	Worldwide excluding USA & Canada			USA & Canada		
Duration of trip	5-40 years	41-60 years	61-70 years	5-40 years	41-60 years	61-70 years
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1 – 14 days	274	274	329	324	392	464
48 – 60 days	559	559	671	948	1172	1400
148 – 180 days	2424	2424	2909	4148	5172	6200

Claim payments are subject to a small compulsory deductible of $ 50.

Write to us at any of the addresses given below:

General Insurance Corporation of India
Industrial Assurance Building,
Churchgate, Bombay-400 020.

Multimedia Aquarius/GIC/2/89

National Insurance Company Limited,
3, Middleton Street,

The New India Assurance Company Limited,
87, Mahatma Gandhi Road,

The Oriental Insurance Company Limited,
A—25 27, Asaf Ali Road,
New Delhi 110 002

United Insurance Company Limited,
SIAC Building,24, Whites Road

FOCUSSING ON WOMEN

A woman's role in society, and as a consumer, has today changed tremendously. And it will continue to change, perhaps more rapidly. Marketers, thus, can no longer go by the stereotypes of the average housewife, the working woman, or the young unmarried woman. They need to be rediscovered and reunderstood if the marketer is to sell effectively to them.



There's no gainsaying the fact that women have become a major target group for marketers. They need to be reunderstood so that product messages can be reformulated and fine tuned to their needs

Whatever one is selling, from soaps to textiles to motor cars, today's new woman is very much in the picture. Either she buys the product herself or she influences the person who does. Of course, in her own domain as a housewife, she reigns as the "queen of the family exchequer." Looking ahead at an increasing number of working women, it is not unrealistic to assume that their influence will soon be felt on an even wider variety of products, perhaps even in some industrial purchases.

Today's women drive a hard bargain. With the larger discretionary income available with them, and the greater opportunity to buy a variety of products, their ideas, whims, habits, fancies, eccentricities and intuitions take on new importance. When manufacturing a product for today's woman, when selling to them person to person and when creating or evaluating advertising that is directed at women, the job can be done more effectively if the marketer and advertiser understand what makes her tick — and buy.

Today's new woman, educated, affluent and socially mobile, is the group leader among women around her. Aiming for the group leader could thus influence many others who function as her satellites.

This group leader, the target woman, has an inward turn of mind which is the basis of her other feminine traits. This leads her to be more emotional and prone to identify herself with the world outside and any product. She lives, in a way, in two worlds — the real world and the imaginary world she creates around her. It is said that if a product becomes a part of her imaginary world it will become strongly entrenched in her daily life. A woman takes everything about a product personally; she is more interested in how it affects her than in the general facts behind it. A woman has a strong intuition or insight based on past experiences which she applies in buying. This means she is not easily taken in or influenced by extravagant claims or insincere approaches.

Women have a lot of compassion and loyalty towards things. To make this work for a product one needs to create a sympathetic bond between women and the product based on an understanding of their problems and attitudes. Women dislike being misled or fooled. Never offer them an emotional experience or a promise of any kind which cannot be delivered. Women dislike being bullied or insulted. So persuasion and low pressure usually work better than pushing and loud claims.

Women always desire to participate in an idea or things. This means that a selling approach which leaves room for a woman to put in something of herself personally usually gains greater interest. Women are concerned with what others think of them. Thus the impression they make on others by using the product is an important part of the sales story.

Contrary to popular belief, women do not change their minds more often than men. But women take longer to decide and then are fairly stubborn about changing it. Women have a different sense of humour than men and usually take life more seriously and literally. So a lighter or humorous approach to women should always be carefully thought out before it is implemented.

Women feel a strong need for security — though emotional and social more than economic or physical. Women feel a great need for sociability and social esteem, self esteem and personal pride. All women feel these so strongly that they can well serve as a part of every sales story. Appeals based on enhancing beauty rate high in responsiveness from women. The best method to do this is to create a feeling of being loved, or of loving, in a woman.

Today's women are more on the go — drawn out of their home. They keep in touch with things through reading, radio and television, and they are generally more informed about and more conscious of brands than men are. Women are loyal to their favourite stores, and their choice is usually based on convenience and location. They tend to buy now, rather than later, and show preference for larger (economy) size packages. This impulse purchase mean that anything that can be done to make the product more exciting at the point-of-sale can mean an extra sale.

Women have strong seasonal buying habits, but they can be — and are being changed — with skilful promotion. Women's ideas of seasons do not always correspond to the seasons as they are on the calendar — so it becomes important for marketers to watch women's moods and know their emotional seasons.

Despite the fact that in the present day context there is no dire necessity for economy, women still do and love to bargain or get something extra or free. It gives them the feeling they are smart shoppers and raises others' opinion of them. A cut in price is attractive to the woman, but other sales promotion incentives can also be effective.

■ *Sushil Bahl*

The author is general manager (publicity & PR) of Greaves Cotton Co.

POISED FOR A NEW DECADE

**Speech delivered by Mr. B.R. Shah,
Chairman,
Lipton India Limited,
at the Annual General Meeting,
held on
May 19, 1989 in Calcutta.**

A Milestone of Progress and Opportunity

This year is a milestone as we complete 10 years of a new chapter in the company's history. It was in 1978, that for the first time, shares of this company were offered to the Indian public. Since then, a lot has happened as we have moved from a relatively small, single product business to a large multi-product portfolio, making us a significant force in the fast expanding Foods and Beverages market in India.

I consider this year not only a milestone for the past, but also for the future. We stand today at the gates of a new decade. The Indian economy has shown impressive results. We are self-sufficient in food; we have an industrial base which should be the envy of any developing country; we still have immense natural resources; and, more and more trained manpower is entering the stream of the nation's productive force. We do still have our problems of managing a very large, over-populated and poor country; but on balance, there is cause for optimism, not despair. I believe the country is poised for a decade of great opportunity ahead. And so is Lipton India.

Many opportunities will come Lipton's way in the next few years. However, competition will intensify and become more professional. While the Foods and Beverages market in which we are primarily interested will undoubtedly expand in a major way, as the economy opens up further, our stakes and share will depend on how well we are able to exploit the opportunities and handle the challenges. Rewards for marketing successes will be large; but, the penalties for failures will be dear.

Lipton has been operating in India for nearly a hundred years. A company tied up with the business history of the country for such a long time must have had its share of ups and downs. I thought that this is a good time to broadly document this past, derive lessons therefrom for today and the future, so that our ethos and our business plans take them fully into account.

Some Historical Perspectives

Pre-Second World War

Tea grows in this country in the remote north-eastern and south-western borders. The terrain is difficult and access still a problem. One can imagine the extent of physical effort and courage required to set up and run plantations in the early years of this century, and convert the product of the plantations into a business.

When most agricultural produce found it difficult to move to consumption areas, or if it did, got traded as commodities, the tea business heralded the advent of packaged goods. The beginnings of Lipton in India saw the zeal of the pioneer. Long before any other commodity saw the virtues of packaging and branding, Lipton teas were available in far flung areas. This period saw the creation of a major 'competitive advantage'. Movement of goods was at a primitive stage with the network of roads and railways still in their infancy in the early'20s and '30s. The company at that time set up with its own resources a wide and efficient distribution system, which few could match. Packaged tea distribution system was as good as some leading brands of soaps, cigarettes and match boxes, and Lipton with this competitive advantage was at the forefront of tea companies.

The '50s and the '60s

In the early years of this period Lipton was still ahead of others in the field and many of our brands had wide acceptance across income and social strata. Our excellence and skill in the area of tea buying and blending was also reflected in profitable exports, to a large number of countries around the world.

The CTC process of tea manufacture had been introduced, and was first picked by our competitors as a major development affecting the taste and value of black tea. The mistake on the part of Lipton was not so much about ignoring a new technology, but in not recognising a latent consumer need. This cost us dear and we lost our leadership position.

During these years, the company's overheads grew, largely in the distribution system and also to some extent in the factories. While the wage and costs of an individual was quite low, the wage bill for all those large numbers became heavy and somewhat out of line with the size of the business and its intrinsic profitability.

However, the company continued to prosper as sales growth continued. But a somewhat unwieldy overheads structure and lack of investments either behind brands or in fixed assets was undoubtedly starting to make the business vulnerable.

The '70s

Judged from the harsh perspective of history, this was the period one would like to change most if ever given the opportunity to live through it a second time. There were some significant external factors that were adding to our burden.

The competitive advantage built earlier around the distribution system started eroding very fast. With two

decades of independence and consequent investment in the infrastructure, movement and flow of goods through the public transportation system became efficient and less expensive. Loose tea was now freely available in all corners of the country and the housewife started wondering why she was paying significantly more for the packaged product.

Though branding had been pioneered by this industry, it had not invested in it and not created brand properties and brand values as it had remained static in the era of colour coding for brand differentiation. The battle against loose tea could not be fought successfully.

Sales growth became slow and then vanished while cost pressures built up. The profitability of the business declined with each passing year. The company, however, could not make progress either through carving out a share off the large loose tea market by entering it, or by undertaking a new line of activity to shield the mother business, packet tea sales, from stagnation and dwindling profits.

One saving grace during this period was the contribution from the tea exports business. Although the country's exports and that of Lipton was facing stagnation in terms of volumes, the business managed to contribute significantly towards higher profits and an increasing share of value-added teas in the overall export portfolio.

The '80s

Would the dawn of the '80s revive the business? This was uppermost in the mind of everyone as the decade opened. But the business continued to suffer and it seemed at one time that it really could not hold on for long. Losses were persistent; and, in a short period, two-thirds of the shareholders' equity and reserves were lost.

Faced with a grim situation, the company's team fought hard. It had to take a series of hard decisions on costs and overheads. Everyone in the company from a worker in the factory, a salesman in the field or a member of the office staff, to management at all levels strained every sinew and muscle to turn the business around. In three short but eventful years, they managed to restore the original equity and reserves and the company was back to the dividend list. The Exports business once again played a sterling role.

The company won the first round as it were, but it was still clearly vulnerable. Lipton, therefore, asked for more money from its shareholders to acquire three on-going businesses. The shareholders responded most positively and in 1984, as a result of the acquisition, the company became a broad-based multi-product business.

The ravages of the '70s had badly scarred the mother business: domestic tea. A prime task, therefore, was to nurse this operation back to health which has now been completed. In fact, a major thrust since 1984 has been to generate growth and improve profitability of each one of our on-going businesses.

It was also very clear that new businesses were a must to engineer a profitable growth plan. Our first efforts in the form of test markets, one for a tea-based soft drink, and, the other, for a range of pasta products failed. We lost money, but not heart. Recent experiences with new products have been far more gratifying, and with the launch of Tree Top, the company has established itself as a major contender in the emerging fruit drinks market.

Five Key Lessons from Lipton's History

1. Zeal of the Pioneer: Over the years, the business has become more analytical and professional in its decision-making. Modern management techniques and computers are extensively used in all sides and functions to ensure correct and cost-effective solutions.

But the real lesson that our predecessors have left for us when they began this business nearly a century ago, is that in order to invest a business with extraordinary success one must have the zeal of the pioneer and a spirit of adventure. It is not enough just to be conceptually sound and analytically correct. The goals of the business have to be just that much beyond our reach so that people strive to achieve something outstanding. The mission of a company must reflect that goal and that spirit, so that the sum total of output is greater than the contribution of each individual.

2. Dangers of 'Inward Looking' Business: Many of the most successful large businesses can suffer from this malady. One gets so caught up with success that there emerges a distinct danger of forgetting one's own vulnerabilities and mortality. Business tasks get more operations and cost-led, with less attention to the consumer and the competition which are both vital, but are outside the business.

Our own history shows that in the '60s and '70s we lost our competitive advantage on distribution, and did not quickly respond to change in technology and consumer habits only to our peril.

Based on this experience, we have now for the last many years used three functions in the business as our windows to the outside world. Knowledge of new products and processes are built and updated through Research and Development; changes in consumer habits, behaviour and their responses to new products are continually gauged through Market Research; and our various Marketing departments through these two sources and travel try to keep a finger on the pulse of the consumer.

3. Value of Present and Future Growth Strategies: Just like a family, a business too has to plan for the future. This requires a thorough assessment of the earning stream, and decisions on how much goes into the current and how much into the future.

A single-product business no matter how profitable and seemingly healthy is intrinsically vulnerable, as a sudden change in fortunes can affect the entire company. We have in the last five years diversified our portfolio and the

company now consists of a wide range of products encompassing tea, vanaspati, cooking oils, ghee, milk powder, fruit drinks, biscuits and poultry and cattle feeds. Apart from the domestic market, we have a sizeable and profitable contribution from exports.

It is important that we leave behind for our successors something more than what we have inherited. This is a key responsibility for each generation of business managers. In Lipton, the philosophy is that we must manage the present and create for the future. This is formalised through a series of planning exercises called the 'Annual Plans' and the 'Long-term Plans'. The latter done every five years forces attention on quantifying the business trends into the future and ways and means to tackle them.

Our current thinking is to consolidate our presence in our key on-going businesses. Simultaneously, we are investing in some 'Sunrise' areas; we should by the same token be prepared to divest from units and businesses which fail now or might fail in future to contribute to the company's bottom line.

4. Equity in Brands: For a consumer product business, the primary assets are its brands. A company's annual accounts and balance sheet does not quantify the value of these major assets, but some new treatments are beginning to reflect it internationally. We all know as consumers how we relate to various brands, and how much our choices are influenced by them.

Within the company, we have two names that have tremendous value in the consumers' mind, giving us a major competitive advantage: Lipton and Dalda. To the tea and vanaspati and cooking oil consumers, these two names mean purity, reliability and value. We have inherited these brands, and it is our job to continue to strengthen them. Also we have to create some new "equities" which grow, and for future generations of consumers will have similar strengths as some of our current brands. Investing behind brands and nurturing them carefully is a world-wide Unilever strategy and philosophy. In the last few years, we have added three new brands to the company's portfolio - Flora, Tree Top and Taaza - and we hope to make big brand properties out of them.

5. Human resource quality and organisational structure: Lipton believes that a company is only as good as the quality of its people. Indeed, in Lipton, as in Unilever as a whole, developing people and planning succession is a major responsibility of top management.

A carefully drawn programme of selection, training and development of people ensures that the company provides them a fulfilling range of careers and not just 'jobs'. On-the-job experience and the strong work ethic the company's culture fosters go a long way in helping them grow.

The company's history shows that it is essential that every employee - and not only those bearing the label 'manager' - should feel motivated to give his best for the success of the business. To achieve this goal and prepare people to adapt to the challenges of a competitive environment, increasingly the company shares information about the state of the business with sales personnel, supervisors, office and shop floor colleagues.

Lipton's history also underscores the need for change in its organisational structure to respond to the changing needs of the business. After the acquisition of new businesses in 1984, we found that our diversified portfolio required different skills in different areas, and far more intensive management to control the bottom line. Thus the Management Committee responsibilities which were till then shared functionally, were changed to Divisional accountability. Many of our recent successes in turning around individual businesses or launching new brands at high speed reflects its benefits. This is periodically reviewed and many aspects of our structure questioned to ensure that we remain fighting fit.

Conclusion

In just a short period of two years we will be entering the '90s. As the country prepares itself for the 21st century, there will be both opportunities and challenges that will come our way.

Lipton's Business Mission is simple and clear: we want Lipton to be the largest and most profitable Foods and Beverages Company in India. Lipton has a long heritage in this country, and its pace of growth has quickened in the last ten years. There have been good successes in our on-going product groups and promising beginnings in some new areas. The company's balance sheet is now robust and the overall cost structure lean and fit. We have imbibed into our current working methods and style all the major lessons learnt from our own history.

There is, therefore, an air of quiet confidence in our headquarters at Lipton House and in all our selling and manufacturing units. We look forward to fully achieving our Business Mission and in the process contributing our modest share to the growth of the country's economy.

Lipton

This does not purport to be the proceedings of the Annual General Meeting

Any reader interested in obtaining a copy of this AGM address in a booklet form, may please write to: Communications Department, Lipton India Limited 9/2, Mahatma Gandhi Road, Bangalore 560 001

CLARION-BL/LIPTON/8912

10 ELEMENTS IN TURNAROUNDS



Studies in India and abroad, based on both secondary data as well as field experience, suggest that there are 10 principal elements in corporate turnaround management. And most turnarounds involve combinations of these elements in varying proportions. The 10 elements are:

■ **Changes in top management.** This would involve mostly the induction of a dynamic and professional new chief executive officer (CEO) and/or a new top management team. If the cause of sickness is internal, the new CEO could well be an outsider.

■ **Initial credibility building actions.** Among other things, this means the identification of a current crisis or problem that can be resolved with resourcefulness or perseverance. Publicising a success is also an important component in this initial exercise.

■ **Initial control.** Tight controls may have to be clamped on purchases, hiring and capital expenditure. Besides, it may be necessary to assert that the old order will change by replacing an incompetent or corrupt chief accountant here or a purchase manager there.

■ **Neutralising external pressures.** Groups of stakeholders in the company (employees, shareholders, the financial institutions, etc.) may have to be briefed and taken into confidence about the turnaround measures taken and kept posted on developments to prevent them from getting restive and upsetting the boat.

■ **Identifying quick payoff activities.** Opportunities must be identified in areas like marketing and finance, manufacturing where the payoffs on projects are quick. As a corollary, big projects and major diversifications must be kept on hold till the company's health improves.

■ **Quick cost reductions.** Among other actions, this could involve devising better methods of purchases, better inventory control, looking for alternative suppliers, temporary layoffs of surplus workers, attempts to improve labour productivity, negotiating loan reschedulements, and debottlenecking or modernising production facilities.

Using a combination of the 10 elements, managements can unfreeze a sick organisation from its state of demoralisation, move it in the right direction and institutionalise the right sort of organisational culture and practices

■ **Revenue generation.** This could be achieved by raising the prices of price-inelastic products while reducing those of the rest. A more focussed approach to marketing and advertising could also help.

■ **Asset liquidation for generating cash.** Opportunities could be explored for selling/leasing of the plant, reducing inventories of slow moving items, and making an aggressive bid to chase overdues.

■ **Mobilisation of the organisation for turnaround.** In sum, this would mean a repeated reaffirmation of the company's mission and key goals, briefing staff on the state of affairs, clarifying managerial and staff responsibilities and mobilising collective effort to hit dramatic achievement targets so as to improve motivation and morale.

■ **Better internal coordination**. Profit and responsibility centres need to be clearly defined, performance reviews should be more rigorous and inter-departmental coordination should be improved.

The above 10 elements and the possible actions connected to each of them are neither exhaustive nor prescriptive. But combinations of these elements perform three major functions: they unfreeze a sick organisation from its state of demoralisation; they move the organisation in the right direction; and they institutionalise the right sort of organisational culture and management practices.

For example, if a new management makes successful attempts at credibility building and its acts of initial control unfreeze the organisation, the stakeholders begin to feel that there is a hope for them and the organisation after all. A turnaround strategy begins to emerge during negotiations with various stakeholders and when executing quick payoff activities and projects. A new culture of innovation, achievement, collaboration and superordination gets institutionalised through actions aimed at mobilising the organisation for the turnaround.

CASE STUDY

A comparison of successful turnarounds with less successful turnarounds should reveal which of the 10 elements summarised above may be especially critical for rescuing sick organisations. In a recent study, five pairs of companies were selected for study. Companies in the same pair were similarly placed: they were sick, and in both of them, turnarounds had been attempted. The only difference: the turnaround strategy of one seemed relatively more successful than in the other.

The five pairs of companies were: Sylvania Laxman and Kerala Electric Lamp Works; Travancore Cochin Chemicals and Rama Krishi Rasayani; Enfield India and Apollo Tyres; Greaves Lombardini and Bombay Malleables; and Steel Complex and Maharashtra Elektrosmelt. In each of these cases, the first company in the pair executed a successful turnaround. Although it was not possible to get perfectly matched pairs for a variety of reasons, the comparison was, nevertheless, revealing. The turnaround actions taken by the five successful turnaround cases were assigned to the 10 elements as were the actions of the less successful cases. The accompany-

ing table shows the number of actions taken by the five more successful companies and those taken by the five less successful ones vis-a-vis each of the 10 elements listed above.

The results are fairly dramatic. The total number of turnaround actions was 163 for the successful group. It was only 71 for the less successful group. Thus, it is obvious successful turnarounds require a lot of actions on many fronts.

Interestingly, there are virtually no differences vis-a-vis three elements: namely, changes in top management, initial credibility building actions, and negotiations with stakeholders to reduce external pressures. But the differences are pronounced vis-a-vis initial control of operations by the new management, (21 v. 3 actions), various quick payoff activities (85 v. 36), and the mobilisation of the organisation for turnaround, including better co-ordination of activities (29 v. 9).

For a successful turnaround, therefore, some initial steps in the right direction are not enough. It is very important for the new management to assert control over operations, generate a stream of successes and quick yielding actions and improvements, and galvanise the managers and staff for pulling the organisation out of the pit into which it has fallen. There may also be differences in the quality of turnaround actions, for example better planning and/or implementation of actions, though this was harder to document.

SICKNESS CAUSE

Corporate sickness in India is getting catastrophic. A much better understanding of the sort of management that can turn around deeply sick organisations is, therefore, needed in order to supplement the efforts of the government and the financial institutions to come to grips with the problem. Global research suggests that the single greatest cause of sickness is not business recession,

For a successful turnaround, initial steps in the right direction are not enough. The new management has to take control of operations and galvanise the staff to pull the organisation out of the pit in which it has fallen

competition, governmental policies, industrial relations problems or infrastructural deficiencies, important though they may be in particular situations or particular industries.

The single greatest cause of sickness, accounting for the sickness of perhaps two-thirds of all sizeable sick organisations, is inappropriate management, characterised by such deficiencies as corruption, lack of professionalism, reckless growth, excessive conservatism, bureaucratic rigidity and lack of proper systems. Unless defective

TURNAROUND ACTIONS OF SOME SUCCESSFUL AND LESS SUCCESSFUL UNITS IN EACH INDUSTRY

	No. of actions of more successful units	No. of actions of less successful units
Change in top management	6	6
Initial credibility building actions	10	8
Initial control	21	3
Neutralising external pressures	12	9
Quick payoff	30	15
Quick cost reduction	25	11
Revenue generation	27	9
Asset liquidation	3	1
Organisational mobilisation	20	9
Better internal coordination	9	0
Total	**163**	**71**

Source: The author

management is quickly corrected or replaced, macro level governmental policies or practices and the relief packages offered by the financial institutions will have only marginal relevance, or merely delay the day of reckoning.

The sort of management that can turn around a sick organisation is not the sort of techniques and decision analysis-oriented professional management that we talk about in schools of management. Long range corporate planning and sophisticated human resource development, marketing research, budgetary control systems, operations research and management information systems tend to be at a discount during a turnaround, especially during the early phases.

WINNING SKILLS

The skills of negotiating the support of the stakeholders for the turnaround, of sizing up quickly the problems besetting the organisation, of getting managers and staff excited about participating in the turnaround, of identifying a continuing stream of modest but quick payoff actions and opportunities, of galvanising action on a broad range of areas, of communicating effectively with staff, of picking up enterprising persons for leadership positions, of creating trust, of networking with external sources of resources and support, of setting a personal example that goes a long way in creating the right work culture, and of improvising down-to-earth workable (rather than textbook sophisticated) systems — these are the skills that win the battle against organisational disease.

The financial institutions will have to think hard on how to increase the availability of such "can do," "hands on," enterprising turnaround managers, so that they can quickly replace corrupt or incompetent managements.

■ *Pradip N. Khandwalla*

The author is L&T professor of organisational behaviour at IIM, Ahmedabad. The first part of this article was published in the BW *issue dated 12-25 April 1989, p.17)*

DEBUNKING DOGMA

It is not often remembered that 1989, apart from being the birth centenary year of Jawaharlal Nehru, also marks the passage of a hundred years since the publication of *Essays in Fabian Socialism*. It is no wonder, perhaps, that Nehru came to be influenced by the Fabian socialist ideology — he was, after all, a man of his times. To be sure, the *Essays* were published a few decades after Karl Marx's *Das Kapital* and *The Communist Manifesto*.

But one of its themes was the "inevitable" success of socialist economies over market-dominated ones. Ironically enough, the reason for this belief was not so much its egalitarianism as its expected efficiency in the production of goods and services. This, in turn, was born out of a belief that planning, as practised by socialist intellectuals, would prove inherently superior to the anarchy of market capitalism.

A hundred years later, not even the most diehard socialist will vouch for the productive efficiency of socialist enterprises. Major and minor socialist economies, from Russia and China to Hungary and Vietnam, are all busy re-evaluating the efficacy of state ownership.

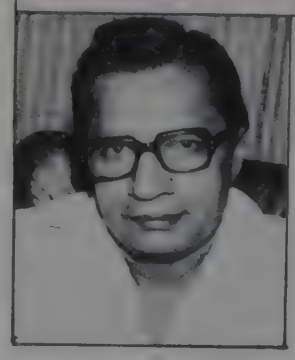
It is, of course, true that economic growth does not depend purely on the policies followed by government; the cultural value systems of a people and their harmony or disharmony with economic policies and the environment are perhaps an even more important ingredient. On the other hand, the comparative productive efficiencies, economic growth rates and per capita incomes in the two Germanies and the two Koreas speak for themselves. After 40 years of following diametrically opposite growth paths, the Germanies and the Koreas, separated by economic ideologies but having the same cultures, are starkly different showcases. And, even the lowest earning 10% in West Germany and South Korea enjoy far better access to goods and services than do their counterparts in East Germany and North Korea. The belief in the *Essays* about the productive efficiency of socialism has been belied.

The attraction of socialist ideas for the leaders of newly independent India (and other countries similarly placed), is not difficult to understand and appreciate. For one thing, many of them came under the influence of Fabian socialist ideas in their formative years. For another, the leaders of the countries gaining independence in the post World War II era had spent their lifetimes fighting colonial governments. It was but natural for them to believe that, once they gained control of the government machinery, they would be able to take their economies on a growth path. Their belief in the efficiency and capability of bureaucracy to deliver the goods was touching, but misplaced.

All these factors combined to persuade leaders in most newly independent countries to accept socialism as an article of faith. Nearer home, the only leader of any stature to castigate Nehru's "licence permit raj" was C. Rajagopalachari. No political party or leader in the country, of whatever persuasion, could think of disowning socialism. The Janata Party talked of Gandhian socialism, a meaningless concept. Even now, V.P. Singh believes that the communist parties are his natural allies. Rajiv Gandhi blessed the rebirth of the Congress Socialist Forum a few months back.

Perhaps the basic problem in socialist ideology is the often unstated belief that the small group morality of the human being can be extended to society at large. Successful socialism requires that a man work as hard for the overall benefit of society as he would for his own again. In practice, this has not happened. Indeed, it perhaps goes against human nature. Socialism has not been able to override the economic law that private virtue could often be public vice. What a man will do as an individual and what as part of a mob can be, and often is, diametrically opposite.

Today, not even the most diehard socialist will vouch for the productive efficacy of state ownership of enterprises



In most countries practising some variety of socialism, including India, the end result of decades of socialist policies has been an enormous centralisation of the decision making process, bureaucratisation, and corruption. Innovation and productivity have been given a quiet burial, as the politics of distribution, and that too to articulate minorities alone, continues to have priority over the politics of production. In the process, it was forgotten that man is most productive when he sees immediate gain for himself and his family, rather than in pursuit of ephemeral Utopian objectives.

Starting with Deng's China, most communist countries have now come to recognise this. It was an act of great political courage for people like Deng and Gorbachev to start reconstructing the traditional socialist dogma.

This, of course, should not surprise the followers of Karl Marx. One of the greatest influences on Marx during his student days was the German philosopher Hegel. According to Hegel, change, or dialectics, was the rule of life. Every idea bred its opposite and in course of time the two synthesised to form a new thesis which gave birth to its own contradictions. *Laissez faire* capitalism gave birth to socialism and marxism. In the immediate postwar years, most industrial countries synthesised the two by creating social services to cater to education, health and retirement, but left production to the private sector. The closing decades of the current century are witnessing the socialist countries too attempting the synthesis from the opposite end.

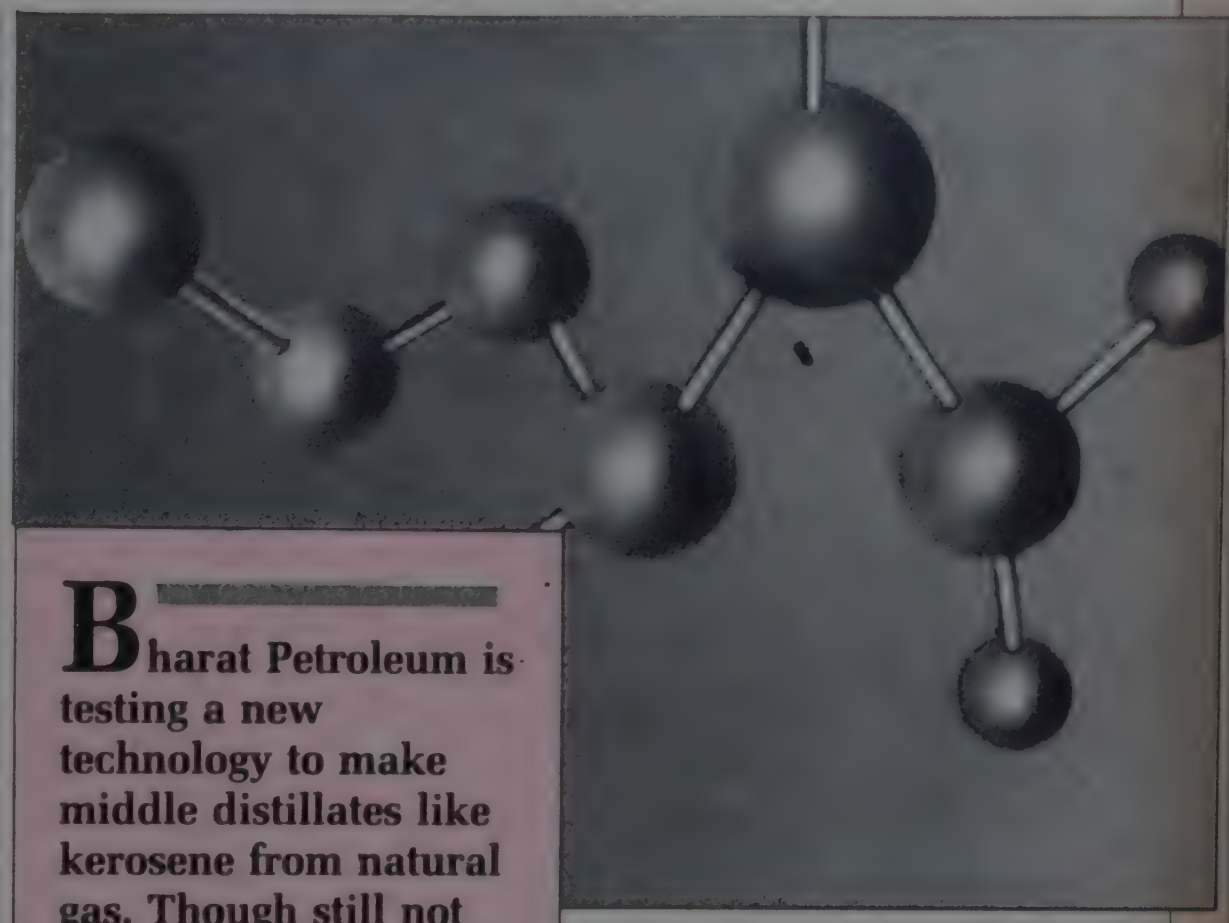
Will our political leadership have the courage to give up the unquestioned, dogmatic belief in Nehru's socialism and its corollary, the licence permit raj? Otherwise, India may be the only communist country left in the world in the 21st century.

■ *A.V. Rajwade*

The author is a Bombay-based financial consultant.

KEROSENE & DIESEL

BP'S NEW ROUTE



Bharat Petroleum is testing a new technology to make middle distillates like kerosene from natural gas. Though still not commercially exploitable, company executives think it's worth a try

It is toddling out of the lab and is on its way to the shopfloor. It is a new technology to turn natural gas into middle distillates like kerosene and high speed diesel (HSD) oil. To test it out, the public sector Bharat Petroleum Corporation Ltd. (BPCL) is setting up a pilot plant at its Bombay refinery. The plant will be designed by Davy Power Gas Ltd.

Commercial success is a long way off but, if achieved, it could be a technological landmark. "We haven't been working in the frontier areas of technology. But this is truly state-of-the-art — among the best available in the world," claims L.K. Doraiswamy, director of National Chemical Laboratories (NCL) which holds the worldwide patent for the technology.

The cornerstone of Doraiswamy's claim is the integrated nature of the three-stage process. This basically is:

Activation. Methane, an inert gas normally used in fertiliser and power plants, is turned into methanol. "This is off-the-shelf technology," says Doraiswamy, and can be obtained from Davy McKee of the UK. The pilot plant will, in fact, start not with natural gas but methanol obtained from Rashtriya Chemicals & Fertilizers, which is located near BPCL's refinery.

Olefining. The methanol is then turned into olefins with the help of catalysts (like Encelite-5, developed by NCL). This process too is not unique: Mobil of the US, for one, uses it to make olefins. But NCL claims that its yield will be far higher — 83%-85% compared to the 70%-75% obtained by Mobil.

Midforming. In this final stage, olefins are converted into middle distillates.

Seen separately, none of the processes are new. What BPCL, NCL and Davy Power Gas are attempting is an integrated operation — the first of its kind in the world.

It is an ambitious attempt, unlikely to bear fruit in the short-term. To enjoy commercial success, the process must get over a tall hurdle — the first stage itself. Under the present process, the methanol produced is so expensive (more than thrice the international price) that it outprices the final output — middle distillates.

"It is not economically viable today," admits Doraiswamy, "but we should look beyond a limited time horizon." According to him, new ideas take about 15 years to become commercially exploitable. In that sense, the present technology is on the fast track.

NCL tied up with Davy McKee for the olefining technology in 1983 and started work on the midforming process in 1986. Commercial exploitation could be possible, says Doraiswamy, by 1995.

But why go the whole hog to back a technology that has only a small chance of clicking? One answer is the sheer thrill in making a breakthrough in a technology, to import which may cost $100 million today, and $300 million in a few years.

The other answer is that in pure monetary terms, the gamble is eminently worthwhile. The pilot plant will cost just Rs 6 crores but may lead to a priceless piece of know-how if either international oil prices go up steeply or NCL and others find a way of cutting down the cost of production.

India can also try to export the technology to countries like Saudi Arabia and Venezuela where gas prices are very low. In any case, India's oil production having plateaued, its growing need for middle distillates will push up imports. The other option is to use gas to obtain mid dle distillates through innovations like these.

Another small advantage of the technology is that from olefins one can also obtain propylene — a building block for various kinds of plastics. "As methanol is transportable, it would be like having a mobile polypropylene plant," says Paul Ratnaswamy, deputy director of NCL. For that, at least, the technology could go places.

■ *Debashis Basu*

CTVs

IDIOT BOXING

They are among the major players in the idiot box market. And, in keeping with the wares they are hawking, they are currently sparring in a rather juvenile fashion.

In one corner is Videocon International, a bit of a Johnny-come-lately in the colour television (CTV) market which, however, has been going places rather rapidly. In the other is the Bangalore-based BPL India Ltd. The bone of contention: who sells more in the Rs 1,380 crore CTV market?

The recent exchange of acrimony was sparked off by a BPL ad in early May, which loudly proclaimed that the company has emerged supreme in the CTV market share stakes. The ad, quoting a survey by the National Council of Applied Economic Research (NCAER), said that BPL had pipped others like Onida, Dyanora, Crown and Weston to the winner's post. Surprisingly, Videocon did not even figure among the top five. And, to add salt to the wound, it was singled out as one of the also-rans.

Two of the nation's major CTV manufacturers, Videocon and BPL, are slugging it out, each claiming it's no.1 . Rivals say they've created a big mess

In a swift riposte, Videocon inserted a proxy ad through an unidentified Consumer Rights Protection Society (CRPS). Waxing eloquent about Videocon's pre-eminent position in the market, the insert stated that the figures given in the BPL ad were misleading and manipulated. A few days later came the reply: a BPL ad saying that the figures could not be a fabrication as NCAER's credibility as an independent, non-profit organisation was unimpeachable.

Injunction sought. The ad war has since spilled into other arenas. Videocon has approached the Monopolies and Restrictive Trade Practices Commission seeking an injunction against BPL publishing further ads of a like nature. BPL has, meanwhile,

Indian Telephone Industries Limited

(A Government of India Enterprise)
Regd. & Corporate Office: No. 49, Museum Road, Bangalore 560 001

ITI OFFERS TRANSFER OF TECHNOLOGY

Indian Telephone Industries Limited, India's first Public Sector Undertaking, designs, develops and manufactures the entire range of telecommunication equipment from simple telephones to complex electronic exchanges, fibre optic systems and satellite communication equipment.

In line with Government policies to establish broad-based self-reliance in the production of telecommunication equipment within the country, ITI is happy to announce its willingness to transfer ITI-developed and proven technology for appropriate products on suitable commercial terms and conditions on a non-exclusive basis.

Professional and enterprising firms who are willing to take their own business risks and face challenges in a competitive environment; who desire to acquire know-how from ITI for specific products as permitted by present policy of Government, may apply in the prescribed form with a non-refundable Crossed Demand Draft for Rs. 1000/- drawn in favour of M/s Indian Telephone Industries Ltd., payable at Bangalore to Additional General Manager (TOT Cell), Corporate Office, Indian Telephone Industries Ltd., No. 49, Museum Road, Bangalore-560 001 BEFORE 31ST JULY 1989.

LAST DATE OF APPLICATION: 31ST JULY 1989.
ITI Reserves the Right to accept or reject any application.

served a legal notice on the CRPS and the agency which released the Videocon ad.

At the end of round one, what is the position? Both combatants have taken a few body blows and are equally down on points, at least as far as their reputations go. "They have created a big mess," says Gulu Mirchandani, managing director of Monica Electronics, manufacturer of Onida TVs. "It doesn't really matter who the leader is. A fight for the top position is foolish. With sales fluctuating every month, market leadership positions will keep changing." (Mirchandani, however, himself claims to be in top spot in 1988 with Onida CTVs sales amounting to 1.28 lakh units.)

Mirchandani would obviously like to consign the current rather unsavoury activities of both his rivals to the devil (preferably the Onida one), but BPL itself feels that it was forced to do a rooftop-shouting act. "They (the men behind Videocon) have a lot of political clout," says BPL managing director T.P.G. Nambiar. "We don't. So we have to shout to be heard."

He thinks the ads have been a waste of money but there was no alternative but to deny the "unsubstantiated" claims that Videocon was making. BPL manager (marketing services) Vijayan Menon remains aggressive and threatens to continue the ad campaign and "retaliate suitably" if provoked again.



THE SLANGING WAS CALLED FOR, SAYS NAMBIAR

The provocation. What was the provocation that so nettled BPL? Videocon, in its efforts to make its Rs 23.5 crore debenture issue a success, has been widely proclaiming itself as the market leader in CTVs. It has also been making a fair splash of late with the news of its tieup with Philips of Holland. And, above all, it has been grabbing the market in gargantuan gulps. "BPL just couldn't take it," says Videocon's financial adviser S.K. Shelgikar. "They had to resort to some gimmick or the other."

The NCAER figures can hardly be said to be a gimmick but BPL did leave out a few things to make things look better for itself. The ad gave the impression that BPL's score of 1.28 lakh sets sold in 1987-88 was out of the total number of 5 lakh households, giving it a market share of more than 20%. But, as the report itself mentioned elsewhere, the total sales of all CTV sets in that period was 10 lakhs.

Besides, the NCAER report cannot be taken as the last word. It is the extrapolation of a sample survey and, thus, not exhaustive. What matters more is that the survey applies to a period when Videocon was still getting its act together. According to the company, its sales in 1988 amounted to 1.18 lakh units and it has set itself a target of 2.4 lakhs for 1989. BPL and Onida are thinking smaller: both of them have set their target at 2 lakh CTVs.

All this is big thinking in a market which is not as pacy as it was in the past: according to *The Economic Times*, the growth rate in 1988 was a scant 15% compared to a whopping 472% in 1984. Besides, margins too have been shrinking.

But this, perhaps, is what made the current broadsides so inevitable. In an extremely competitive market, the no. 1 position means a lot of extra mileage. The BPL-Videocon bout for topdog status is only too likely to continue with no holds barred. And may the devil take the hindmost.

■ *Srinivas Vijay*

PEPPER INDUSTRY

NOT SO HOT ANYMORE

Pepper prospects are no longer red hot, at least not for now. The salad days of 1987, when international prices of this exotic commodity had soared to $2.40 per pound, are most definitely over. And although this oriental condiment is still fetching a not-to-be-sneezed-at price of 90 cents-$1 a pound, the market seems to have lost its tang.

Last fortnight, with worry-brows creased and thinking caps on, representatives from the world's four major pepper growing nations India, Indonesia, Brazil and Malaysia met in Bali to chalk out a recovery strategy. For the first time since the top four got together to form the International Pepper Community (IPC) in 1972, attempts are being made to adopt a 'scientific market sensitive' price level for all varieties of pepper.

The latest exercise began seven months ago following the last IPC meeting at Goa in October. It was decided to undertake field and market studies to determine the 'optimum price level' or the 'price band' for pepper, taking into consideration cyclical fluctuations in production and other market factors. A longer-term stable price level was thought of mainly on account of the wild fluctuations in the price trends.

Informal price. Since then, an 'informal base price' of 85 cents has been adhered to by IPC members, meaning that no member-country is selling pepper at a lower price. That this voluntary floor price is being maintained has proved a shot in the arm for the IPC, whose 1986 attempt to fix a minimum export price of $1.60 simply didn't work. Not that this means IPC will necessarily emerge as a cartel like the International Coffee Organisation (ICO). Clarifies IPC's executive director Abdul Gaffar Nasution: "IPC has been established only for the exchange of information, especially on research. We have no ambi-

tions of being a commodity cartel."

According to Nasution, one of the research thrusts lies in finding new end uses of pepper: "It is essential to look for new markets." Lately, he says, pepper has been finding buyers in Morocco, Tunisia, Egypt and Spain where it is being used as part of the meat processing procedure.

While the United States is the most important world market for pepper, India's exports to the Soviet Union (17,000 tonnes in 1988) have provided an additional outlet for Indian growers. Lately, the Spices Board has been spearheading a marketing push in Europe, where India's market penetration is only a token 5%. A delegation of pepper exporters has just been to the UK, West Germany, France and Italy. In Europe and elsewhere, though, leading exporters and Indian Pepper Exporters Association chairman J.V. Mariwala expect "good demand and high returns" for Indian pepper in the current year. And to give this country a competitive edge overseas, the government has chipped in by abolishing export duty.

Attraction grows. Paradoxically, notwithstanding the traditional thrust on exports, the domestic market is getting more attractive for growers from the net realisation point of view. For instance, the average price realisation in 1988-89 was approximately Rs 44.50 per kg on the export of pepper, while domestic prices ruled in the Rs 45-48 per kg range for the best quality. The 1989-90 world crop is expected to be about the same as last year's viz., around 160,000 tonnes. As such, a dramatic change in market alignments is ruled out.

WORLD PEPPER MARKET*

	Production (tonnes)	Exports
India	50,000	40,000
Indonesia	48,000	34,000
Brazil	40,000	20,000
Malaysia	22,000	17,000

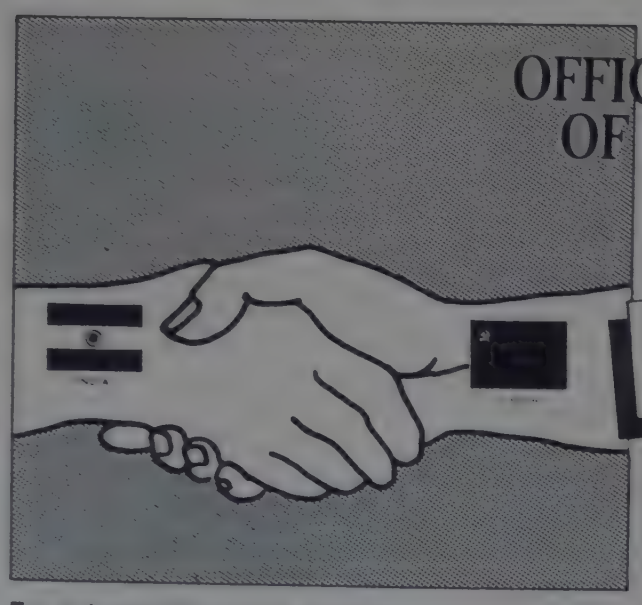
*1989 estimates

The Spices Board, though primarily concerned with the promotion of exports, also has a mandate to pep up domestic pepper production. The immediate need is to improve productivity: the per hectare yield of 275 kg in India compares miserably with figures pertaining to Malaysia (1,575 kg), Brazil (1,200 kg) and Indonesia (550 kg). As a small first step, the Union agriculture ministry has floated a scheme to improve pepper farming techniques, but the scale of investment (Rs 4 crores spread over three years) is considered to be woefully inadequate. (Incidentally, pepper is grown in India as a homestead crop under mixed conditions whereas elsewhere it is cultivated in pure plantations.)

But shortcomings such as these notwithstanding, India's position as the world's no.1 pepper grower lends it the status of a natural leader. Details of the Bali meet, which ended on 3 June, are awaited to see if India has been fulfilling her leadership role.

■ *Sujoy Gupta*

Join the expanding Indo-Soviet business



THE FIRST OFFICIAL BUSINESS GUIDE OF INDIAN COMPANIES FOR THE USSR

This directory to be printed in RUSSIAN* will enable Soviet Organisations to contact Indian companies for promotion of imports and exports, industrial and technical collaborations, exchange of knowhow, licences and new technologies, promotion of joint ventures for trade, industrial and engineering purposes.

Indo-Soviet trade is targeted to grow to Rs 10,000 crores (5 billion Roubles) by 1992. This growth is to be achieved, primarily by the active participation of the private sector. This official business guide would enable continued contact of Soviet and Indian organisations.

*Advertisements will be translated in Russian without any extra charge

To be released in September '89

Extensive reach!
To be distributed to 10,000 Soviet Organisations.

For a detailed brochure write to :
The Co-ordinator
INDIAN CINE COSMOS PRIVATE LIMITED
Atma Ram Mansion, Flat No. 9, 2nd Floor,
Scindia House, Connaught Circus,
New Delhi-110 001.

Retained by V/O "Vneshtorgreklama" to compile the information for "THE FIRST OFFICIAL BUSINESS GUIDE OF INDIAN COMPANIES FOR THE USSR"

For advertising information contact sole advertising concessionaire :

Marsons Marketing Consultants
A 1/80 Safdarjung Enclave
New Delhi-110 029 Ph : 387922/384167
Telex : 031-61581 NDOS IN FAX : 011-352471

Mutual 4847d

AUSTRALIAN CREDIT FOR FISHING INDUSTRY

A bonanza catch has come the Indian deep sea fishing industry's way from Down Under. The Australians are offering a $50 million concessional credit for the industry's all round development. They will also lend a hand in the global marketing of catches. A memorandum of understanding has been signed to this effect between the Madras Chamber of Commerce and the West Australian Chamber of Commerce.

The credit is to be routed through the Shipping Credit and Investment Corporation of India. The money is to come from the Export Finance Development Corporation of Australia and will be supplemented by the Australian Development Aid Bureau.

HARD TIMES FOR DISKETTE MAKERS

The rather new floppy diskettes industry is facing hard times. According to M C. Shah, chairman of the floppy diskettes panel of the Electronic Components Industries Association (Elcina), it is the government itself which is responsible for the industry's woes. The directorate general of supplies and disposals (DGS & D) has been increasingly banking on foreign suppliers for its annual requirement of 2.5 million floppies. Due to this, local companies are utilising only 25% of installed capacity.

Floppy diskettes also attract a hefty 26% excise duty as compared to other electronic components which bear 10%-15%. Shah contends that this has escalated the price of Indian floppies by Rs 4 or Rs 5 resulting in the foreign ones being cheaper. He opines that paring down the duty to 10% *ad valorem* will help make Indian floppies competitive.

The current national demand is 8 million diskettes per annum. Of this, 50% is being officially imported and 3 million enter the country illegally. Slapping a ban on imports of floppies could help, argues Shah.

WORLD BANK AID FOR EXPORT UNITS

The World Bank is contributing $295 million towards a $730 million project to modernise and restructure export-oriented industries in India. Four Indian outfits — the Industrial Credit and Investment Corporation of India, Export-Import Bank of India, Bank of Baroda and Canara Bank — are participating in the project which will enable Indian industries to become more competitive in the international marketplace.

The project is supporting an integrated export development programme in the four institutions which are to play a vital role in helping private industries develop plans for producing and marketing their products, according to a World Bank report.

The programme includes export development funds that will provide matching grants to exporters for their export plans, technical assistance funds to help the four banks to strengthen their operational —capabilities through staff training and information systems, and a term lending component to provide investment funds to industries that are expanding their operations or improving the quality of their products.

CEI'S PLAN FOR BOOSTING EXPORTS



CHOWDHARY'S PRIORITY IS BOOSTING EXPORTS

The Confederation of Engineering Industry (CEI) has outlined its plans to boost India's export activities. According to J.P. Chowdhary, managing director of Titagarh Steels and the newly elected president of CEI, the organisation's "first priority would be to focus on the globalisation of Indian industry." He said that the twin strategy of CEI would be to strengthen the marketing muscle of the Indian engineering industry through missions, trade fairs, overseas subsidiaries, cooperative exports, etc.

According to CEI's figures, engineering industry exports have risen by over 30% in 1988-89 in value terms compared to the previous year. In 1989-90, CEI's marketing mission will visit 18 countries including, for the first time, China. In cooperation with the Trade Fair Authority of India, CEI will participate in five international trade fairs including the Beijing International Fair. In addition, CEI will organise a specialised, sectoral industrial fair — Environment '89.

REDUCE RBI CONTROLS, SAYS FICCI

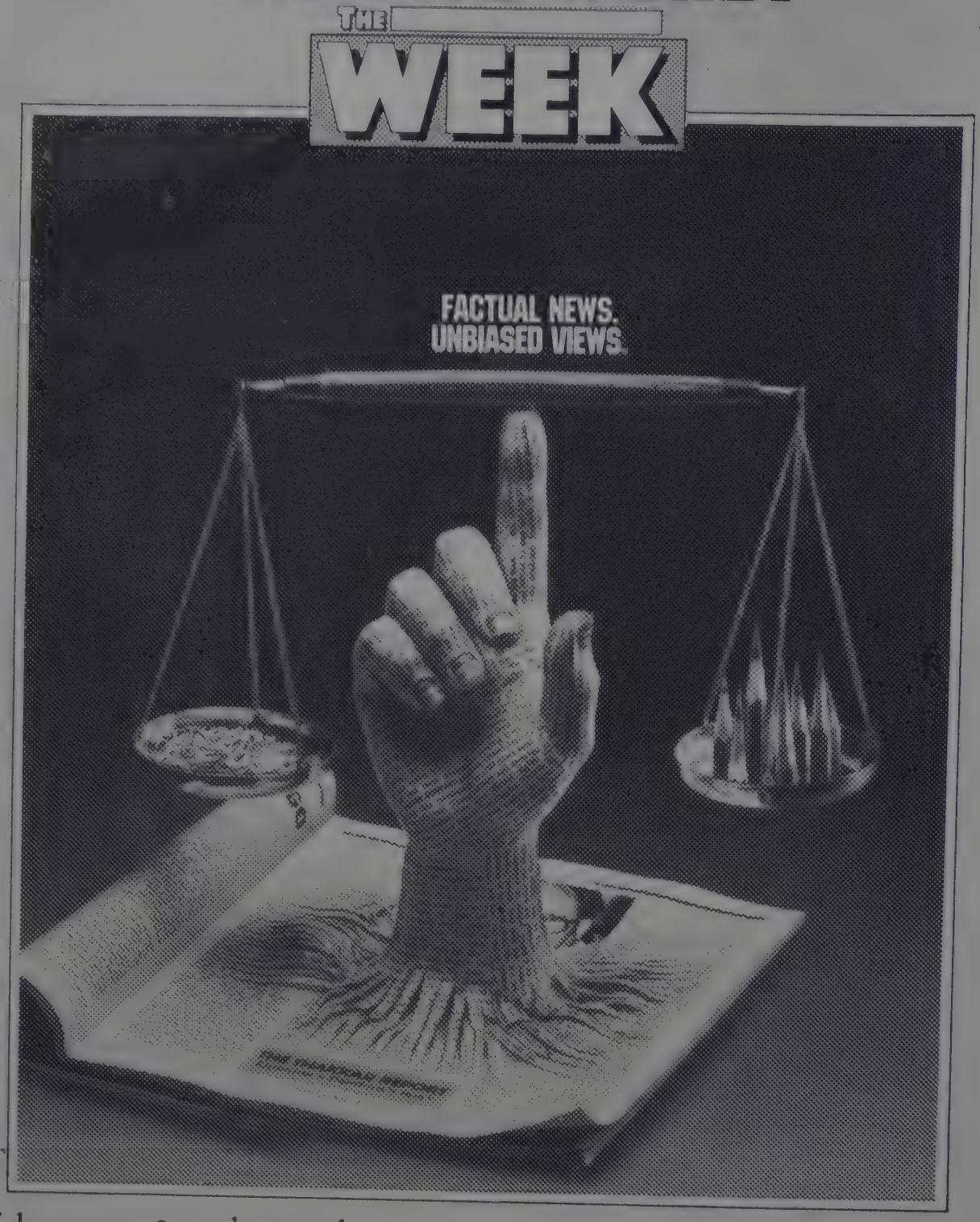
The Federation of Indian Chambers of Commerce and Industry (Ficci) has recommended that drastic changes should be made in the Reserve Bank of India's (RBI) controls with regard to provisions under the Foreign Exchange Regulations Act (Fera). The note prepared by Ficci says that modifications in Fera are necessary to facilitate business and bring it in conformity with the requirements of the international system.

Some of the major changes proposed are:

- RBI approval may be dispensed with in cases where the Union government has already approved the projects.
- In cases where a principal business proposal is approved and the liability forms part of this approved package, RBI need not interfere.
- RBI should stay clear of areas which involve commercial judgement such as prices at which goods may be sold, rate of commission, legal fees, etc.
- Expenditures which are an integral part of any business — commission, claims, demurrage, wharfage, etc. — should not be subject to RBI controls.

Ficci is of the view that the RBI should restrict its guidelines only in respect of receipts/payments and related transactions, loans and borrowings, opening and maintenance of offices/warehouses abroad, establishment and operation of joint ventures, purchase of overseas companies, transfer of securities, non-resident shareholding, and business promotion and business visits.

TRUE TO WORD.



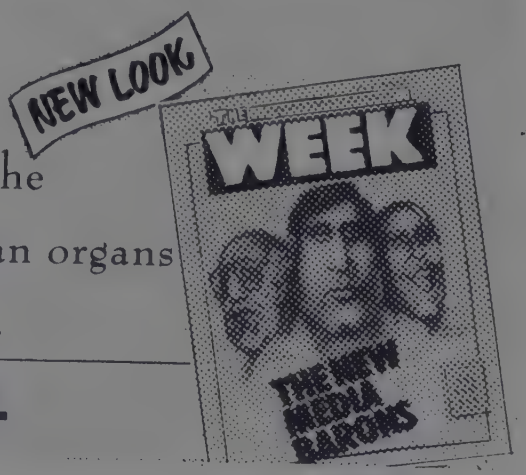
Open the new look Week, and get exposed to the realities of the real world – with investigative articles; factual & comprehensive news; well respected, unbiased views; and thoroughly documented background information.

The Week. It has always captured the events of the past seven days in a crisp, concise style – accurately gauging political undertones both national & international, closely monitoring the pulse of business & industry, keeping abreast of science & technology, providing a ringside view of sport events worldwide, tracking crime, besides bringing to light the latest developments on the art & entertainment front.

So to get an exclusive, in-depth view of the past seven days' events, grab the latest issue of The Week. Contact your nearest newsagent, today!

The Week was the first Indian magazine to do :

★ A story on the Bofors scandal ★ A firsthand report on the hijacking to Lahore ★ An exclusive into the trade in human organs ★ An exclusive on Aparna Sen's controversial film on sati.



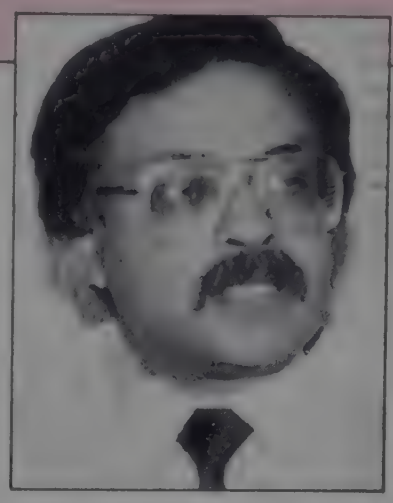
NOBODY COVERS THE PAST SEVEN DAYS, THE WAY WE DO.

everest/89/TW/131R

CONSUMER LENDING

Even in banking, the individual consumer is emerging as the king. Till four years ago, lending was serious business and banks advanced loans only to corporations. However, there has been an about turn in attitudes in recent times. The very same bankers who had superciliously thumbed their noses at the salaried and middle classes are now assidiously wooing them back. And that too to help them purchase the very same items that had been considered frivolous — consumer durable goods ranging from TVs and refrigerators to cars and computers. It is estimated that banks had, at the end of December last, lent over Rs 430 crores to individuals to purchase consumer durables. Growth has, in the last year, been an astonishing 65%. And with more banks entering the arena, this growth is bound to be sustained in future.

Bank lending for the purchase of consumer durables, once frowned upon, is growing by leaps and bounds. The process is likely to accelerate in the next few years



Initially, when the concept of consumer loans was floated, not many banks were eager to jump onto the bandwagon. Corporate banking was going through a period of boom, with lots of imports to be financed and equity issues to be underwritten and managed. This changed in 1987: a year of drought, an unpopular budget and the depression in the capital market forced banks to seek alternative avenues for drumming up business. Additionally, competition between banks was on the rise and to an extent corporate lending reached a saturation point. Other factors which led to the consumer lending boom include:

- The emergence of a more enlightened and demanding Indian middle class which is estimated at about 125 million. Not only is it more literate and more affluent but it is also more acquisitive than ever before. Individuals are no longer happy to commute by bus to work or go once a month to the movies. The average middle class man wants to own a vehicle and possess an apartment overflowing with the latest in electronic and electrical gadgetry. He is not afraid to be in debt; on the contrary he wants to be in debt because inflation lowers the repayment cost of a loan in real terms. A consumer durable, on the contrary, would increase in value in inflationary times.
- Banks can earn more on loans to individuals. Earlier, the Reserve Bank had laid down a 16.5% interest rate ceiling on overdrafts, loans and other facilities. Consumer loans were given out at this rate and included a service charge of 1.5% per annum. The limit was lifted on 10 October, 1988. Consequently, the earning on consumer loans is bound to increase.

The first bank to take the plunge was, strangely, a foreign bank — Citibank. Others Indian and foreign banks quickly followed and today they collectively offer a plethora of packages to entice the common man.

Initially, it was difficult to be eligible for a loan. Banks had built in various controls as they were testing the waters. The controls have eased now. In order to avail of Citimobile finance (automobile loan), the sole criterion for individuals is a gross annual income of over Rs 40,000. Any shortfall can be made up by including in a co-borrower or a guarantor.

The individual's contribution: 25% of the cost. The balance is financed by the bank. Purchasers of other consumer products require even less. All that one needs is a gross annual income of over Rs 19,200. Besides that, the monthly instalment should be not more than 40% of the net take-home pay and the individual should have at least three years left for retirement. (as the loan has to be repaid in three years).

In order to ensure the payment of instalments punctually, the employer deducts the instalment from the employee's salary and remits it to the bank. This makes it easier for everyone, especially the bank.

American Express also offers a similar facility. The nationalised banks, particularly the State Bank of India, offer computers, televisions and even apartments under similar schemes. In fact, currently, banks are falling over backwards to dream up new schemes to offer customers finance, including unfixed deposits, executive budget planners and add-on credit facilities.

This change of direction in India is not a unique phenomenon. Europe and America underwent a similar revolution a decade after the second world war and if past history is taken as a guide, consumer, individual and private banking could be the big brother in future. Citibank estimated that 46% of its income worldwide in 1987 was from consumer loans. By 1990 this is expected to be at least 72%.

This will change the face of banking as we know it today. As banks gain experience, credit facilities will become easier. Computerisation will have to progress further (to process the large volumes of low-cash items) and the man in the street will be perpetually in debt. The market will grow and so will the variety of products. Competition among manufacturers will ensure an improvement in quality with prices being kept attractive. There is danger, of course, of greater inflation due to the growth of credit and money supply, but this can be contained. For the common man, consumer lending could, however, herald an age of prosperity and plenty.

■ *Raghu Palat*

The author is regional audit manager (South Asia) of American Express

FCNR RATES CHANGED

The Reserve Bank of India (RBI) has revised interest rates under the foreign currency (non-resident) accounts scheme. For US dollar deposits, interest rates have been clipped by 0.5% for all maturity periods. In the case of deutsche mark deposits, interest rates have been hiked by 0.25% for all maturity periods.

Interest rates for deposits in yen have been raised by 0.25% for periods ranging from six months to three years. Interest rates for yen deposits having a three-year maturity period, pound sterling deposits, and external rupee deposits have, however, not been changed.

DISASTROUS YEAR FOR IRBI

The last financial year ended 31 March has been a disaster for the Industrial Reconstruction Bank of India (IRBI). For the nine-month period, IRBI had accumulated losses of Rs 11.41 crores, including bad and doubtful debts.

According to the bank's directors, the substantial increase in losses compared to the Rs 4.45 crores accumulated in the previous year (12 months) was mainly due to the early year closing and non-receipt of 50% of interest payments which are payable by 30 June.

The bank's issued and paid-up capital increased to Rs 112.5 crores from Rs 98 crores in the previous year. The total loans outstanding are Rs 508.32 crores, of which Rs 100.51 crores are blocked in nationalised units taken over by IRBI under the Industries (Development and Regulation) Act. It has not received any interest on this amount.

The bank has set a disbursement target of Rs 160 crores for the current year.

IDBI'S NEW SCHEME

Development banks have a soft spot as well. The Industrial Development Bank of India (IDBI) has introduced a new scheme to help women entrepreneurs set up projects in the small sector. IDBI will offer subsidised rates for the cost of training and preparation of project reports or consultancy charges.

There are also some other schemes that are now being operated by the IDBI. They are:

- A composite loan scheme under which loans up to Rs 50,000 can be given to artisans and to village and cottage industries by the State Financial Corporations and banks. The loans are provided at concessional rates.
- Loans to scheduled caste/tribe entrepreneurs up to Rs 50,000 are given at special concessional rates.
- 100% loans to the physically handicapped.
- A refinance scheme to combat sickness as well as to modernise small units. These loans are provided up to a limit of Rs 7.5 lakhs for upgrading technology and increasing productivity.

FINGERTIP BANKING

The Hongkong Bank is getting closer to its customers. It has introduced a new cash delivery system, Hexagon, for its corporate customers.

Hexagon enables the client to link his PC via a modem to the bank's mainframe computer. The client can get all the information he needs at his fingertips as well as carry out various transactions with the bank, including documentary credits, opening of LCs, etc.

The bank is also entering the retail segment due to the increasing 'disintermediation' of banks and the growth of an aspiring middle class. Its retail business has largely been facilitated by the automation of all its branches.

HONGKONG BANK ELECTRONIC TELLER MACHINE



NEW VENTURE CAPITAL FUND

Grindlays Bank is launching its second overseas venture capital fund to finance Indian ventures. The fund will have a corpus of $10-$15 million. It is likely to be floated in the early nineties.

Grindlays' first fund, the India Investment Fund, has been a great success with gross returns of 250%. It was set up in 1987 at Channel Islands, with about 50 non-resident Indians, the Rockefeller Trust, the Kuwait Investment Trust and Grindlays contributing the money. Investments from this fund in Indian companies add up to around Rs 5.5 crores, benefiting companies such as India Glycols, Samtel Colour, Reinz Talbros and, now, Indian Maize & Chemicals Ltd.

According to Roger Cotrell, director of the venture capital wing of Grindlays, the fund is very choosy on projects. The rate of selection in the last 18 months was one project out of every eight proposals that were puf up before it.

BOI DIVERSIFIES

The Bank of India (BoI) is diversifying into leasing and merchant banking, according to S.M. Pathak, the bank's general manager. It has also announced higher profits for last year.

The Reserve Bank of India has cleared the bank's diversification plan. The operations, to be commenced by July next, will be handled by a subsidiary of the bank. BoI has also decided to float a separate subsidiary, BoI Shareholdings Ltd., to handle effectively the share clearing work at the Bombay Stock Exchange.

The bank's profit of Rs 22.08 crores for the 15 months ended March is 36.72% higher than that of 1987. The bank's global deposits totalled Rs 13,036 crores while advances increased by Rs 2,087 crores to Rs 8,449 crores. While the bank's lending to the priority sector stood at 43% of its total, direct finance to agriculture and lending to the weaker sections constituted 17.7% and 10% of bank credit respectively.

Paradise on earth...



and the setting for a world class conference centre



Kashmir... there's no place on earth like it. And there's no place like the Sher-i-Kashmir International Conference Centre to make things happen... businesswise or otherwise. The Sher-i-Kashmir International Conference Centre meets every requirement of high-powered conventions — of 10 to 1000 delegates. Plenary Hall with simultaneous translation in 5 languages. Conference Rooms. Banquet Hall. Projection Room for films, audio visual and video viewing. Business Centre offering Fax, Copier, Computers and Secretarial help. Trained staff to orchestrate complex business meets with computer controlled efficiency. For leisure and pleasure... Golfing, Fishing, Trekking, River Rafting, Mountaineering, Water Skiing, Heli-skiing, Sightseeing, Shopping. Or just relaxing in a room with a view. Yes, make the most of Kashmir — the playground of the world... now also a world class conference venue.

where business is always a pleasure!

Sher-i-Kashmir
INTERNATIONAL CONFERENCE CENTRE

Member ICCA

For assistance and reservations or a free colour brochure contact Sales & Marketing Division, Sher-i-Kashmir International Conference Centre Chashma Shahi, Srinagar-190 001, Kashmir (India) Tel 75631, 79601 Telex 375-318 SKCC IN Grams KASHCONFER Fax 79720

HEADSTART SKCC 2001



RAJPAL WOULD LIKE TO PROVIDE SERVICE SUPPORT

A STARRY ARRANGEMENT

It has a ring of inevitability about it. Almost all the big boys of the international computer industry have tied the knot with Indian partners: Digital with Hinditron, Bull with PSI Data Systems, Apollo with HCL, Prime Computer with IDM, Data General with PCS, Sun Microsystems with Wipro and so on. Even Big Blue — IBM — has been sniffing around for partners (see *BW* 12-25 April, 1989, p 31). The only notable absentee has been Hewlett Packard (HP), the $ 10 billion *Fortune 500* company (1988 rank: 39).

No longer. The current indications are that HP may soon enter into a manufacturing arrangement with Blue Star Ltd.

Old acquaintances. To be sure, HP and Blue Star aren't making a new acquaintance. The latter has been distributing HP's workstations, testing and medical electronics equipment for the past 18 years. The total business notched up in this period is a substantial $250 million.

So what's wrong with carrying on the same way? Apart from the fact that the Indian market is too vast to serve without a local manufacturing base, Blue Star's marketing and support services have sometimes been under fire. Agrees Suresh Rajpal, HP's managing director (India operations): "We realise that the manufacturer is able to provide the best support."

HP has been looking around for a partner for some time now; in fact, it started a liaison office in New Delhi all of one-and-a-half years ago. It had extensive talks with the Mafatlals and even HCL before tentatively deciding to tie the knot with Blue Star.

But currently it is all systems go. Rajpal has been brought in from Hong Kong to take charge of the Indian operations and he is confident of going places. "We are going to cash in on the coming boom in the technological arena," he says. "India's needs and HP's technical expertise mesh well."

HP has, indeed, a lot to offer. It is the world's largest manufacturer of electronics testing and measuring equipment and claims a hefty 50% of the market. It is also one of the leaders in work-stations, medical electronics and scientific instruments.

Software tack. The other tack that HP is trying is software. The company recently set up Hewlett Packard Software India at Bangalore to export software to HP offices worldwide via a satellite link-up. That, given the highly skilled cheap technical expertise available in the country, is likely to go great guns.

The deal with Blue Star, however, has still a few angles that need ironing out. HP has recently finalised the takeover of Apollo Computers of the US which currently has a tieup with HCL to make work-stations. With this segment of the computer industry being one of the fastest growing (35%-40% annually), Blue Star is unlikely to welcome somebody else on its patch using the same technology.

Such problems should get ironed out soon. "Blue Star and HP have had a good working relationship," says Rajpal. Eighteen years of courtship should hold them in good stead when the marriage is finally consummated.

IN A DIFFERENT MOULD

Modesty is not one of his virtues. But then, Sudarshan Khaitan (32), a nephew of tea king B.M. Khaitan, feels he has nothing to be modest about. "I am a man with lots of innovative concepts. And I will do in steel what Reliance has done in its sphere of activity," is his promise.

That's a tall claim for a promoter with a Rs 12.4 crore project and a piffling 25,000 tonne liquid steel capacity in a country where there are umpteen mini-steel units and foundries barely scratching up a worthwhile existence. But Khaitan believes his baby, Kanakdhara Steel Ltd. (KSL), was created in a different mould altogether. "We are the first in India to use state-of-the-art technology in steel casting," he says.

Not without reason. With the technology backup of Leybold AG of West Germany, KSL believes it can grab a niche at the absolute top end of the market wherever high-strength, high-purity steel is needed. The potential markets: offshore oil exploration, cement, paper, chemicals, nuclear power, shipbuilding and heavy equipment manufacturers. Some of the specific products KSL hopes to specialise in are cast pinion wheels, pump and valve castings, castings for turbines and ship prop-

ellers, alloy steel blocks and grinding media. And if anybody thinks this is not sufficiently up-market, Khaitan has a pointer: "Our products will cost a minimum of Rs 35 per kg and go up to Rs 200 per kg."

Value-addition. That's a lot of value-addition to lowly scrap. According to Khaitan, the key to producing higher value steel castings lies in ensuring higher purity. And that KSL will do with its VODC — vacuum oxygen decarburisation converter. In traditional electric arc furnace units, scrap or low-carbon ferro chrome is melted and then directly fed into moulds for preparing castings. At KSL, the liquid metal goes into the VODC so that the metal that ultimately goes into the mould is free of impurities like sulphur and carbon and dissolved gases like nitrogen and hydrogen, among others.

Khaitan expects KSL to start commercial production this month (June 1989) and expects smooth sailing from the word go. "We are giving the Indian market a choice that never existed before," says he. Almost all the stuff KSL will produce comprises high-cost import substitutes, and so Khaitan sees no domestic competition worth the name. "Even if someone were to decide to enter the field now, it will take him three years to get into production. By that time, we will be one of the big steel groups in India."

Goldmine. Clearly, Khaitan doesn't lack ambition. And just in case one concludes this is just tall talk before a public issue (KSL is entering the market soon), he dispels the impression fast. "My issue is underwritten. I'm not bothered." But at the same time, he makes it clear that any investor worth his salt shouldn't miss the KSL bus. "Kanakdhara will be a goldmine," he says.

And there may be other goldmines in store. On the anvil are plans for other ventures. One, for the production of industrial oxygen — to feed the KSL plant at Paithan (Aurangabad, Maharashtra) and other industries nearby



KHAITAN: TOMORROW'S STEEL KING?

— has already been floated. Further down the line are projects for setting up a hot strip mill and a heavy chemicals plant, apart from doubling liquid steel capacity at KSL itself. "KSL will be my flagship," says the would-be big league industrialist.

HIGH-TECH PIONEER

In India, it requires guts of steel for someone to pioneer a method of producing steel. Besides being risky, new technology invites sneers from the old hands. But the triers will continue to try, and Gerrard Thomas, a technocrat-turned-entrepreneur who founded the Bombay-based GH High-Tech Systems, is one of them.

Thomas is in the process of developing a "completely indigenised" technology to melt iron and other metals: the plasma furnace. When his innovation hits the market, it could conceivably start replacing the conventional melting pot — the electric arc furnace — used by small, medium and special alloy steel manufacturers in the country

Hush-hush technology. "In fact, plasma technology is quite a hush-hush thing even abroad," says Thomas. Though companies like Voest-Alpine of Austria and SKF of Sweden do use it to make steel, in India it's brand new. (Plasma, to elucidate, is the fourth state of matter, the others being solid, liquid and gas. It is a highly intense and luminuous beam that is obtained by heating gas at higher temperatures — more than 30,000 °C.)

A plasma furnace heats up one-and-a-half times faster than an induction or an electric arc furnace, says Thomas, thereby giving faster melting rates for all metals. Also, any gas can be used, depending on the metal. The power consumption is claimed to be relatively lower, between 300 and 400 kw per tonne of iron. Even though the initial costs of installation are higher, economies of scale can be reached earlier if power is available in sufficient quantities at cheap rates, according to him. "Eventually, it should give the lowest kilowatt per kg of iron," says Thomas. Plasma furnaces, if Thomas is to be believed, could be the panacea for sick steel units in the small and medium sector.

PLASMA TECHNOPRENEUR THOMAS



For Thomas, a diploma holder in welding from Esab, Sweden, plasma has been his lifeblood. "I have devoted about 18 years of my life to plasma science," he says. He feels more at home in the rarefied atmosphere of research and innovation than in the hurly-burly world of entrepreneurship. But if the success of his four-year-old firm is any indication, he seems to be a good businessman also.

Breadwinner. Thus far, the breadwinner for GH High-Tech has been its high-energy air plasma metal cutters — another first in the market — which bagged the Fuel Injection Equipment (FIE) Foundation Award at Imtex '89 for productivity and efficiency. Other products in the works include precision cutters using lasers and CNC (computerised numerically-controlled) profile cutters. Thomas expects his firm's present turnover (about Rs 1 crore) to treble by next year.

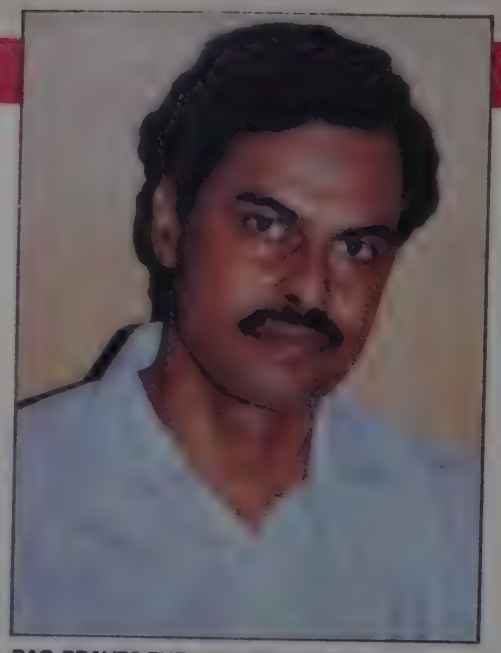
GH will test-market its furnace within the next six months, and the price could be around Rs 3 crores each. Thomas says he has received queries from buyers who want to "retrofit" the plasma equipment in their old electric furnaces.

His ambitious venture apparently needs more than just financial assistance from friends. "I need godfathers," he says, adding that he may take his company public next year. The success of that operation will depend on how well he sells his technology to the "steel men," who will test his claims of superior technology by fire.

OVERSEAS PUSH

The Calcutta-headquartered Ispat group is in the news again. Barely eight months ago after taking over the Caribbean-based Iscott plant (see *BW* 23 Nov.-6 Dec. p.17), the group is ready to flag off its second overseas joint venture project.

The choice of the locale is Indonesia. As is well known, the Mittals of Ispat are already well ensconced in that country: they



RAO BRAVES THE WORLD MARKETS

set up PT Ispat Indo way back in 1975 and have seen it through to its present $100 million plus asset size.

Promoter. They now want to repeat history, and have chosen the smallest of their three India-based companies, Ispat Alloys Ltd. (IAL — sales: Rs 20 crores), as the promoter. IAL's president M.R. Rao says that "all the basic homework" for the $34 million project, which will manufacture 52,000 tonnes of alloys in Surabaya, east Java, has been completed. "The Ispat group is now waiting for the Indian government's final nod," says Rao.

The shareholding pattern in PT Ispat Alloys Indonesia, the proposed name of the new outfit, will be as follows: IAL and its associates will hold 45% of the equity, while the Indonesian counterpart will hold 55%. Incidentally, IAL's equity participation of $7 million will be largely through the export of equipment from India.

At present, the Orissa-based IAL is engaged in the manufacture of import substitute products like silicon metal and its derivatives. In three years, it has reached the peak production capacity of 8,000 tonnes. By way of expansion, the company is now gearing itself to set up a 100% export-oriented alloy unit in India. The Indonesian unit, meanwhile, is expected to start production by the end of October, with most of its produce — silicon metal, ferro silicon, ferro chrome — being slated to be sold to Japan and South Korea. Later, Rao hopes to venture into the European market.

Prospective buyer. However, the main attraction is Japan, which imports about a million tonnes of ferro silicon annually as well as 150,000 tonnes of silicon chrome. "We see Japan as a prospective buyer of ferro alloys, especially silicon metals, both from our Indian and Indonesian units. The latter has advantages like lower power costs. Also, shipping costs from Indonesia will be much lower than from Brazil or Norway," claims Rao.

According to Rao, the group's intentions are very clear: to push proven Indian technology to other countries. India's steel-related technical knowhow — process knowledge in ferro alloys is part of this — is second to none. "We shall prove our competence in the open market and against international competition," he declares.

A brave statement from a group which has been braving world markets with aplomb lately.

GETTING THE EXPOSURE RIGHT

For P.R.S. Rao, the silver-haired chief of Hindustan Photo Films (HPF), the silver in his films is gleaming a lot brighter these days. And it's not just the gleam; what's coming HPF's way is also music to his ears. The colour film unit, for which the Uttar Pradesh government had a letter of intent but has been doing nothing about, will in all probability fall in the lap of this public sector unit.

HPF, which produces a whole array of medical, industrial and graphic arts films, has also made its first foray into the competitive magnetic tape market. It was at the inauguration of this Rs 10 crore plant that the Union minister for industry, Vengala Rao, announced that the colour film unit could come HPF's way.

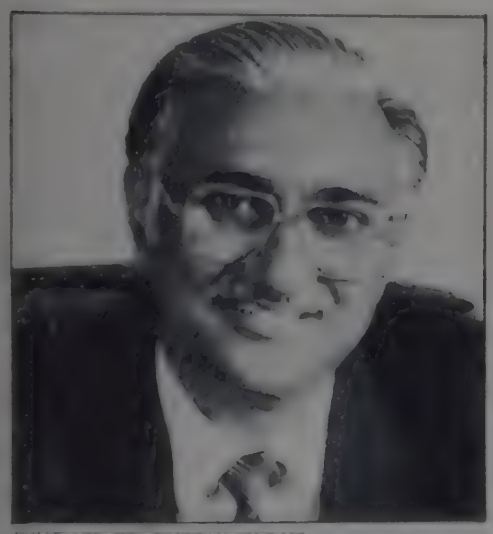
Daunting task. HPF's dapper chief was only too keen. "We had hoped to go in for the manufacture of colour film in the eighth plan," he says. But, as he himself

points out, it is a daunting task as the investments are high

Besides, HPF has a lot on its plate with the takeoff of its magnetic tape unit. The company has entered a product category which has been posing a major threat to its traditional lines — cine positive film and cine sound film. The onslaught of video and audio tapes sent HPF scurrying for cover and in the process it surfaced with a collaborator, the West German firm, Magna Tontrager.

Magna supplies tapes to world-renowned companies like IBM, Sony, Grundig, Du Pont and BBC. "We have an edge over the competition as we are equipped to produce the entire range of magnetic tapes. And, as we don't have to depend on imported raw material, we'll be cost competitive," gushes Rao.

The plant at Ooty (since renamed Udhagamandalam) is equipped to produce 1,500 million running metres (Mrm) of magnetic tapes as against a domestic demand of 12,000 Mrm. So it's only a small slice of the cake, but HPF will be slugging it out with nine other private sector producers.



RAO HAS COLOURFUL PLANS

HPF has also worked out a buyback arrangement with its German collaborator, but that will come later. The new factory is expected to add Rs 25 crores to HPF's turnover of Rs 150 crores and contribute another Rs 7 crores to its profits of Rs 7.3 crores in the last accounting year.

More diversification plans are afoot. HPF plans to introduce automatic photo dispenser units that "shoot, develop, process and print — all at one go — in four minutes," says Rao. HPF has tied up with Photo Me, a UK firm, and plans to make 100 such booths in the current year. For the 55-year-old Rao, who has spent 28 years at HPF and 13 at the helm, the picture is obviously getting wider.

FORAY INTO GRANITE

Innovation that pays is Spartek Ceramics' forte. And if innovation is the key then its novel project finance plan for a new Rs 16 crore 100% export-oriented unit — Spartek Granites Ltd. — is going to pay off handsomely indeed.

Spartek, which has cornered over 50% of the ceramic tiles market, is now promoting this unit with an Italian connection — Nassetti Ettore. The heavy duty ceramic granite tiles will be a close substitute to natural granite with a blend of anti-wear properties and aesthetic appeal.

Says Krishnaprasad Tripuraneni, Spartek's 32-year-old enterprising managing director, "We looked at different areas after Spartek's expansion but thought we should consolidate first in the ceramics or building materials industry where we are leading."

The ingredients are all there. While the technology is Italian, Spartek Granites will have a financial and marketing collaboration with a UK-based company, William Hunt, which is chipping in with Rs 75 lakh of equity. The UK company is also offering a buyback covering 75% of the production against a bank guarantee of $1 million a year for five years. The collaborator has also agreed to a minimum floor price for exports for a five-year period.

Upmarket product. The tiles will be made at a plant that's coming up on the outskirts of Madras and will be commissioned in six months. "It's a large plant," emphasises Krishnaprasad. "For



KRISHNAPRASAD HAS NOVEL FINANCE PLANS

the kind of volumes we are producing we need an export market." Thus only 25% of the output will be sold domestically. The target again is the upmarket customer. The market segment will be five-star hotels, affluent homes and commercial buildings.

Like Spartek did for its tiles, accompanied by an advertising blitz, here too Krishnaprasad hopes to open up new markets. "That's where we would like to take the lead," he says. With a discerning consumer prowling in the marketplace, the idea is to come in with a whole lot of new products and then develop the market. "We want to bring something new into the market again like we did five years ago with our ceramic tiles," says Krishnaprasad. The turnover of this unit is expected to be a hefty Rs 15 crores in the first year itself.

But it's in the project financing scheme that Krishnaprasad hopes to come up trumps. For the existing shareholders of Spartek Ceramics, the offer is a tempting mix of both equity and debentures reservation in the new company. Another feature of the proposed issue, which will be made only in July or August after the necessary approvals, is the negligible dependence on term loans from the financial institutions, which is just 12.5%. "Our plan is to take good companies out of the dependence on institutions. If we retain oversubscription, even this percentage will come down. Basically any existing good company can take this route. They can use the strengths of present operations to raise as much funds as they want for the new company," explains Krishnaprasad.

That's his working style, or is it tile?

(Contributed by George Skaria, R. Jagannathan, Srinivas Vijay, Ashoke Laha & Vinay Kamath.)



Speech delivered by Mr. V.Narayanan, Chairman and Managing Director, Pond's (India) Limited, to the Shareholders at the Twelfth Annual General Meeting of the Company held on May 15, 1989 at Madras.

"To us, in Pond's, productivit is an attitude of mind, a belief in progress and a commitment to continuous improvement."

Ladies and Gentlemen,

The Board of Directors and I have great pleasure in welcoming you to this, the Twelfth Annual General Meeting of your Company.

The Directors' Report and the Annual Accounts for the year ended 31st December, 1988 have been with you for some time now. With your permission, I shall take them as read.

1987-88 — performance review

1987-88 has been yet another good year for your Company. In the eighteen month period ended December 31, 1988, your Company has had several major achievements. I will review only a few of them.

- Sales turnover has exceeded Rs. 134 crores. Sales turnover in the calendar year 1988 was 5% higher than in the previous year.

- Profit after tax has reached Rs. 6.6 cro In the twelve months of calendar year 1 profit after tax at Rs. 4.82 crores has exceeded calendar year 1987 profits by impressive 30%. This has been the best growth rate achieved by your Company the recent past.

- A total dividend of 40% has been declared on an equity base enhanced b the issue of bonus and rights shares.

- Exports of clinical thermometers have increased significantly making our Kodaik facility the largest in the world. The Gove ment has recognised our performance w the CAPEXCIL "Top Export Award".

- The Company's third leather factory ha started operations on schedule at Arumparthapuram in Pondicherry. This factory will add to both capacity and product range. The Company received ar award for export of leather footwear components to General Currency Areas.

- The mushroom project has progressed satisfactorily. Production of mushrooms a the Nilgiris facility has started and the first

Pond's (India) Limited

xport shipments have been successfully nade. The product quality has been declared to be of world standards by our oreign buyers.

- In the domestic business, the successful changeover to a new collection system as reduced working capital utilisation nd has resulted in a significant saving of nterest costs.
- Programmes to ensure higher productivity nd enhanced quality of products have een introduced in all factories.
- The annual closing of accounts has been ompleted in record time to provide high uality service to you, our shareholders.
- Finally, for the twelfth year in succession, our Company has enjoyed excellent ndustrial relations in all factories, offices nd in the field. I am sure all of you will join e in thanking each one of your Company's 600 employees for this excellent record.

A productive organisation

Your Company's growth in sales and rofits over the last twelve years, and its eturns to you, our shareholders, have been npressive and widely acknowledged. Less ell recognised is, perhaps, the fact that our Company is a highly productive rganisation.

We in Pond's do not confuse productivity, e process, with measures of productivity. o us productivity is an attitude of mind, a elief in progress and a commitment to ntinuous improvement. We believe this nd set is created and nurtured because e organisation strives consciously towards uality, encourages and nurtures leadership, nd seeks companywide participation in e evolution of a business strategy. I believe each is a crucial enabling factor leading to business productivity. I will briefly dwell on each of these factors.

Our overriding concern is with Total Quality. We believe however that in order to build a business of quality, building quality into people is the single most important task. Selection is obviously vital; training, opportunities to develop, and rewards for good performance help motivate our people. Consultation, participative decision making, open communication and a culture of trust instead of controls, help unite our people in their commitment to a common goal.

Secondly, we seek to identify and encourage fountainheads of leadership at every level – leadership based on personal experience and conviction, and not on authority, rank or age. For those with vision, the ability to inspire trust, the ability to motivate and the ability to communicate to others, our organisational environment which is characterised by flexibility, minimum controls, and decentralised decision making, provides the legitimacy to act. Our leaders are concerned not only with doing things right; they strive to do the right things.

Pond's employees at all levels participate in not only decision making, but in the very evolution of the corporate mission. This is vital in order to have the collective commitment to corporate goals, the clarity of vision, and understanding of strategy that allows the wise and productive use of delegated power.

Finally, we have evolved in Pond's a uniquely Indian style of functioning, based on the role model of the joint family. We view the individual not as an employee selling time to the corporation, but as a family member whose cares and concerns are those of the organisation. In return for this deep commitment, the organisation expects the individual to act as if every right enjoyed entails a concomitant responsibility, and to seek the achievement of personal goals only through the achievement of the corporate goals.

Your Company has consistently striven to benefit shareholders, vendors, employees, dealers, the Government and consumers. Your Company's corporate mission has been to create and share wealth, while being a good corporate citizen of the nation. I believe the constant focus on the broader concept of productivity has been the most important element in enabling us to fulfil our mission.

The future

Your Company is taking concrete steps to ensure all-round progress in each business we currently operate in.

Plans have been drawn up to relaunch and restage all current brands in the domestic market. The leather business is poised for significant expansion. The mushroom project is being expanded to a production level of 2000 tonnes per annum, consequent to the success of the pilot plant. New markets are being sought for thermometers.

Your Company is indeed fortunate to have available the resources of Unilever. Unilever's global expertise in research and product development, marketing and manufacturing, which is now available to your Company, will ensure that Pond's can continue to add value to our products, and retain competitiveness in the face of an increasingly crowded market place.

Conclusion

May I conclude by thanking our employees and our associates – our suppliers, bankers, auditors, advertising and market research agencies, our dealers, our Board of Directors – for their guidance and support, and you, our shareholders, for the trust and confidence you have reposed in us.

Thank you.

This does not purport to be a record of the proceedings of the Annual General Meeting.

A culture of character and competence

POND'S

HTA 7283

A GOOD IDEA AT A WRONG TIME

Rajiv Gandhi seems hellbent on getting his Constitution Amendment Act (for introducing Panchayati Raj in the country) passed during the life of the present Parliament. It has become an obsession with him. It is on par with Mrs Indira Gandhi's *garibi hatao* sloganeering and her unconstitutional move to deprive princes of their privy purses. Those moves made Mrs Gandhi popular with the dispossessed, and brought her their votes. But everyone now knows that *garibi hatao* was an empty slogan. And taking the purses away from the princes did not benefit the poor either.

Only when the deathblow has been administered to the zamindari system and the peasant freed can Panchayati Raj become a success

But obviously somebody has been whispering into Rajiv Gandhi's ears that he must do something similar to what Mrs Gandhi did to recoup his position. The Panchayati Raj Bill is one such reaction. Another is the move to pay cash to a large number of people under the Jawahar Rozgar Yojana.

The latter, clearly, is a variation of the loan mela which has now been more or less put on ice because it proved to be counter-productive. In reality, a very small percentage of the loan gets returned, and a large part of it gets into the hands of middlemen who play brokers. And now, giving away large sums of money in the name of Jawaharlal Nehru is not going to produce more jobs or more wealth either. Once again the country is being fooled on a massive scale.



Much the same can be said about the Panchayati Raj Bill. But before anything further is said, two points can be made: one is that the concept itself is not new. It was Gandhiji's dream of ultimate devolution of power. The other is that the ideal has been sought to be put in practice not only in Maharashtra but also in West Bengal, with very indifferent results.

In Karnataka, however, the experiment has been seen to be a success. An evaluation committee pronounced the working of the Zilla Parishad, Taluka Panchayat Samiti, Mandal Panchayat and Nyaya Panchayat Act of 1985 as "very impressive." One has yet to get a district-by-district breakdown of how much good has flowed for obviously the success rate cannot possibly be uniform. But surely if the functioning is described as "very impressive," it obviously shows that the people can be trusted with power. Karnataka, however, is a different cup of tea from Maharashtra and far different, say, from Bihar, Uttar Pradesh and Madhya Pradesh, which are largely feudal in character. South of the Vindhyas, the ryotwari system, introduced by Thomas Munro first in the Kanaras (now part of Karnataka), has been in force. Large scale land ownership has never existed in Karnataka. That has made it easy for Panchayati Raj to be effective.

The same cannot be said to be true of causedly feudal states like Bihar, where erstwhile zamindars rule the roast. To believe that in feudal states like Bihar and Uttar Pradesh, the villagers will have any chance to rule themselves is to indulge in fantasy. The running of the panchayats will be taken over either by the zamindars themselves or by their representatives.

Obviously, then, one has to give a lot of thought to see how best to make Panchayati Raj work. Karnataka is one model. But Karnataka, as has been said, has a clear advantage over other states. The economic conditions there almost seem made to order for the success of Panchayati Raj. Even so, wisdom would suggest that one waits at least for a decent period of five years to see where the system can fail and how to avoid those failures. That is what statesmanship is all about.

There would be no harm, to start with, to introduce Panchayati Raj selectively in specific districts all over India as a test measure. Even the Green Revolution was tried out in India initially on a small scale. That is what practical administration amounts to. One does not rush a measure merely because it sounds good. During the first Congress ministry in old Bombay Province, for instance, prohibition was first introduced in Ahmedabad district. The same principle can be applied in the matter of Panchayati Raj as well. But no one has ever accused Rajiv Gandhi of acting like a statesman. He wants instant success and he has been going round proclaiming to innocent peasants that Panchayati Raj is entirely his own idea. Many probably believe it.

It is curious why Ramakrishna Hegde has remained silent on this score. If Hegde had done nothing else but introduced Panchayati Raj in Karnataka, he would be entitled to a place in Indian history. What Rajiv Gandhi has done is to steal a good idea from a rival and run away with it. That, by itself, is no crime. A good idea is worth spreading around. But India is not a uniformly democratic country. What seems entirely possible in Mandya is likely to be a resounding failure in Ballia. Mandya in Karnataka has an enlightened peasantry. Ballia in Bihar is still living in the 19th century.

It is only when the death-blow has been administered to the zamindari system and the peasant is freed that Panchayati Raj can become a success. Either Rajiv Gandhi has poor advisors or he is impervious to good advice. The tragedy is not that he has a bad idea, but that he has a good idea that he is trying to introduce at the wrong time. Nothing would be lost by deferring the Act to 1990 after the formation of a new government. If Rajiv Gandhi is returned, he can always pick up the threads. If he is not returned, whoever is in power will inevitably have to give credit to Rajiv Gandhi. In either event he will lose nothing. But in persisting in rushing the Amendment Act through in the present Parliament, he is doing signal disservice to the very people for whose benefit he claims to enact the bill.

■ *M.V. Kamath*

The author is a former editor of The Illustrated Weekly of India.

RED METAL MAKER SEES BLACK

The public sector Hindustan Copper Ltd. (HCL), monopoly miner of the red metal, is seeing black these days. The operating results for 1988-89 — just announced from HCL's Calcutta headquarters — show that last year's small profit has ballooned this time to a comfortable Rs 45 crores on a turnover of Rs 437 crores. Production of ore (5 million tonnes) and copper (44,840 tonnes) are "records," says HCL's newly-appointed chairman and managing director P.V. Venkatesan, who has just moved in from the National Aluminium Co., Bhubaneswar, where he was director (finance).

Venkatesan is quick to point out that HCL's bottomline bonanza is more due to higher capacity utilisation and better per capita productivity than due to official doleouts by way of increased administered prices: "The continued improvement in the company's performance has been possible largely due to cordial industrial relations at all production units."

Nonetheless, there's a long haul ahead for HCL, which has so far failed miserably in its mission to make the country self-sufficient in copper. It is a scarcely known fact that India ranks immediately after toppers Zaire and Zambia in copper resources: ore deposits are of the order of 566 million tonnes while recoverable copper is assessed at 6.3 million tonnes. Given that the present-day annual demand is only around 140,000 tonnes — a figure that has doubled in 10 years — there is no reason why India cannot mine its own copper.



VENKATESAN HAS A CLUTCH OF SCHEMES TO IMPLEMENT

Widening gap. On the contrary, the demand-supply gap has been widening in recent years: up from 80,000 tonnes in 1985-86 to over 100,000 tonnes this year (1989-90). And in view of the tighter availability of copper in the international markets lately, which has led to a price spiral, the canalising agent (MMTC) has more often than not botched up import schedules.

The inevitable fallout: acute shortages, long waits for allotment, and high premiums in the open market. (In 1988 alone, the average prices of open market copper wirebar shot up from Rs 73,070 per tonne to Rs 96,090 — causing electrical industry end-users to cry foul.)

Venkatesan, however, is not holding out any false hopes of *nirvana* for user industries. Only, he stresses that HCL has begun work in right earnest on a clutch of debottlenecking, modernisation and expansion schemes, each of which will help mitigate consumers' woes. One of these is a Rs 51 crore exercise to upgrade production facilities at the company's obsolescent smelters and refineries at Ghatsila (Bihar) and Khetri (Rajasthan). "We are hopeful that the work will be completed within this year. It will enhance metal recovery and also lead to improvements in metal quality," he promises.

Another consumer-friendly unit which should begin production by September is a 60,000 tonnes per annum continuous cast copper wire-rod plant at Taloja near Bombay. This plant will use imported copper cathodes as feedstock and natural gas from Bombay High as the main energy source. According to Venkatesan and his colleagues, the longstanding wire-rods crunch in the country ought to disappear by next year.

Prospecting. In the longer term, HCL is looking at fresh mining prospects in the richly endowed mineral belts in Singhbhum (Bihar) and Malanjkhand (Madhya Pradesh). According to current estimates, the former belt has copper ore deposits of 188 million tonnes with 1.35% copper content. It has also been established that the Singhbhum belt contains minor and precious metals like nickel, molybdenum, gold, silver and palladium in small quantities.

Similarly, initial indications at Malanjkhand are that — minor quantities of gold, silver and molybdenum apart — a huge store of ore (244 million tonnes) exists with 1.28% copper content. The drawing up of separate master plans for the "optimum exploitation" of these deposits is under way.

The key, of course, lies not in the brilliance of these master plans but in their execution. As with other public sector undertakings, HCL has its share of resource and other systemic constraints. If the management team cannot cash in on the momentum of the present turnaround, glimmerings of a long-term recovery will flicker out in no time. And it will be everybody's loss if the Eighth Plan target of doubling copper production falls by the wayside.

■ *Sujoy Gupta*

UNDERGROUND MINING AT HCL'S KHETRI MINE



With decades of pioneering work behind it,
IEL moves into the future with confidence,
a sharp sense of competitiveness...
And a name that represents leadership worldwide...

IEL
WILL NOW BE KNOWN AS
ICI INDIA LIMITED



ICI India Limited

Looking forward to the challenges of the 1990s.

ULKA-D-ICI-406

■ AGROCHEMICALS ■ CATALYSTS ■ EXPLOSIVES ■ FERTILIZERS ■ FIBRES ■ PAINTS ■ PHARMACEUTICALS
■ RUBBER CHEMICALS ■ RESEARCH & DEVELOPMENT ■ SPECIALTY CHEMICALS

HINDUSTAN ALLOYS

EXCELLENT SHOW

There are good tidings for the shareholders of Hindustan Alloys Manufacturing Co. Ltd., the largest manufacturer of aluminium alloys in the country. The company has put up an excellent show for the 15-month period ended 31 March 1989 and the equity dividend is likely to be almost doubled from the 20% paid the previous year.

Though the accounts are under audit, it is reliably learnt that the turnover has advanced by about 81% on an annualised basis and the gross profit has shot up by over 200%. An interim dividend of 15% has already been paid and a final dividend of around 20% is expected to be announced.

The outlook for the current year as well as the coming year (1990-91) is bright as the company is implementing the second phase of its expansion.

Accordingly, the production capacity of aluminium alloy ingots is being raised from 8,000 tonnes to 30,000 tonnes. The company will also take up the manufacture of 12,000 tonnes of die-cast auto components.

Taking the current ruling prices of its products into account, the turnover of the company is expected to shoot up to Rs 75 crores in the current year and may reach the Rs 100 crore mark next year.

ZENITH

ON THE RIGHT TRACK

The turnover of Zenith Ltd.,the diversified flagship company of the Ashok Birla group, is all set to cross Rs 200 crores during the current year ending 31 December 1989.

Almost all the divisions of the company have performed well. The turnover for the first five months (January to May) of the current year is 25% higher than the corresponding period last year. Profits too have kept the same pace. Shareholders can expect a dividend higher than the 36% paid for the previous 18-month period (24% on an annualised basis).

The outlook seems even more encouraging as Zenith has taken effective steps to implement its Rs 170 crore seamless pipes project with foreign technology. It is also awaiting the green signal for its proposed 5-lakh-tonnes per annum integrated steel plant and a Rs 75 crore petrochemical project.

RASOI

ENTRY INTO CHEMICALS

Rasoi Ltd., a Raghu Mody group company, has shifted its activities from tea to the manufacture of chemicals.

The company sold off its tea estate early this year and the sales proceeds are being utilised to diversify into chemicals. The details of this diversification are being finalised and its implementation will be taken up soon. Meanwhile, the sales proceeds of the tea estate have been deployed in loans and deposits.

The company has taken up an expansion programme for its vanaspati division. The green signal for raising the capacity of its Haryana vanaspati unit from 3,000 tonnes to 7,500 tonnes has already been received and steps are being taken to implement it.

Rasoi is doing well financially and the performance this year (ending March 1990) is expected to be more or less in line with that in the previous year. The equity dividend may be maintained at 20%.

Companies this fortnight

(Rs crores)

	Zenith (year ending December)			Rasoi (year ending March)			Hindustan Alloys (year ending March)		
	1986	1987	1988*	1986	1987	1989+	1986	1987	1989+
Sales	142.27	158.06	255.19	51.14	59.98	75.43	8.63	16.81	38.00E
Gross profit	6.23	5.91	12.52	1.50	1.63	1.73	1.26	1.94	7.03E
Paid-up capital	5.77	7.32	9.14	1.20	1.20	1.20	1.84	4.99	4.99
Reserves	22.42	27.89	39.84	2.95	3.47	5.71	0.95	2.20	NA.
Gross fixed assets	72.22	76.91	109.37	7.14	7.57	7.42	2.40	3.70	NA.
Dividend (%)	30.00	30.00	36.00	20.00	20.00	20.00	18.00	20.00	15.00E
Earnings per share (Rs)	6.96	3.24	7.75	5.75	5.83	6.41	5.48	2.84	NA.
Paid-up value (Rs)	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Market price as on 18 May 1989 (Rs)			64.00			60.00			64.00

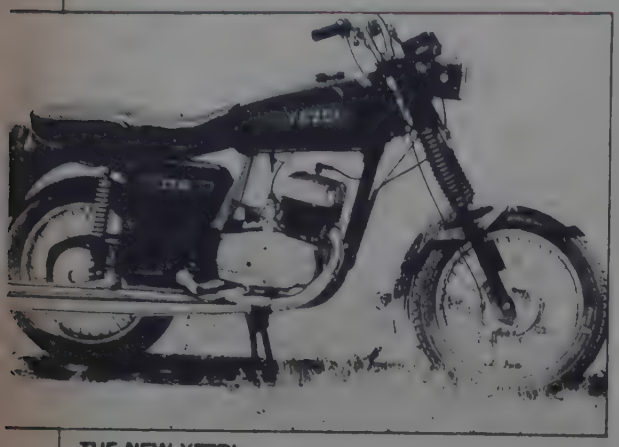
**For a period of 18 months*

+For a period of 15 months

E = Unaudited and estimated: 15% dividend is interim, final is yet to be announced

IDEAL JAWA

WILL ITS NEW PRODUCT CLICK?



THE NEW YEZDI

The troubled Mysore-based Ideal Jawa is back on the roads. It has launched a fuel-efficient 175 cc bike by the same old name, Yezdi, in Karnataka. Priced at Rs 15,500 (exclusive of taxes), the vehicle has a four-speed gear box and gives a mileage of 46-52 km per litre. According to T.R. Irani, the company's chief executive, Ideal Jawa plans to roll out 2,000-2,500 Yezdis by June. But he admits that volume production will depend on supplies of pistons, seat foam, and barrels.

Meanwhile the company is reorganising its sales set up and beefing up after sales service and spare parts outlets. Irani also adds that the company has no problems on the financial front.

VIJAYA BANK

DIVERSIFICATION PLANS

The Bangalore-headquartered Vijaya Bank is seeking permission from the Reserve Bank of India to set up subsidiaries for housing finance and merchant banking and leasing. The bank also proposes to establish a mutual fund. Meanwhile, the bank's deposits for the 15-month year ended 31 March 1989 have risen by 21.6% to Rs 2,107.07 crores over the previous year. The net profit amounted to Rs 7.95 crores (Rs 5.54 crores).

K. Sadananda Shetty, chairman and managing director of the bank, is confident of increasing its market share in deposits of scheduled commercial banks from 1.34% to 1.4% by March 1992. By end-March 1989, total priority sector advances were Rs. 574.16 crores (45.3% of net credit), and direct agricultural advances have risen from Rs 141.69 crores to Rs 216.25 crores (17.1% of the net credit).

For the farmer the bank has launched two schemes, the Vijaya Krishi Card scheme which enables the card holder to avail credit of up to Rs 50,000 a year as well as 'consumption credit' to the extent of 20% of the crop loan limit. The second scheme is the Vijaya Vichar Vihar under which banking related information in the form of folders, handouts, etc. will be provided at select village tea shops. The bank also plans to introduce two credit cards — Vijaya Bank Premium Gold Master Card and the Vijaya Bank Premium Master Card which will be valid internationally.

UNIVERSAL CABLES

HIGHER SALES

Universal Cables Ltd., Calcutta, has turned out better financial results. The company's turnover has jumped by 16% to Rs 116.63 crores for the year ended 31 March 1989, from Rs 100.90 crores in the previous year. Meanwhile gross profit has gone up to Rs 15.08 crores from Rs 11.19 crores. Exports improved to Rs 8.75 crores from Rs 7.80 crores. The board of directors has recommended a dividend of 27% which includes a 5% silver jubilee bonus. In the previous year, the dividend paid was 22%.

The company has entered into an agreement with the Central Glass & Ceramics Research Institute, Calcutta, for commercialisation and upgradation of indigenous technology for the manufacture of multi-mode optical fibres. Also, Universal Telelinks Ltd., a subsidiary of the company, has signed a memorandum of understanding with Gosagoprom of USSR which will provide technical knowhow to produce citric acid.

TRI-STAR SOYA

PROFITS UP

Tri-Star Soya Products Ltd.has performed well during the year ended March 1989 (eight months), with production, sales turnover and profits improving. The company has earned an operational profit of Rs 3.75 crores (*cf.* a loss of Rs 51 lakhs in the last year—12 months ended 31 July 1988) on a turnover of Rs 39.52 crores (Rs 22.65 crores). Exports raked in Rs 15.11 crores (Rs 7.66 crores).

After providing Rs 1.30 crores (against Rs 1.46 crores) for interest and Rs 22 lakhs (nil) for depreciation, the company has made a net profit of Rs 2.24 crores (a net loss of Rs 1.97 crores).

Satisfactory supply of raw material enabled the company to operate at 61.7% of its capacity, thereby processing a record 61,671 tonnes of soyabean (36,474 tonnes—24.32%). On an annualised basis, production shows an increase of 153.6% and the sales turnover is up by 161.7%.

The company expects to come to the dividend list in the current year. It is commissioning a soya flour plant in June 1989. The company is also undertaking a modernisation plan estimated to cost Rs 1.25 crores.

RELIANCE PETROCHEM

MAIDEN DIVIDEND

Reliance Petrochemicals Ltd. has proposed a maiden dividend of 15% (pro-rata) for its first accounting period ended 31 March 1989. No company entering the capital market with such a huge public issue has ever declared a maiden dividend for the very first year. Against the issue of Rs 516 crores, the company had received application worth Rs 1,213 crores from 28 lakh investors.

The total outgo for dividend will be Rs 4.54 crores to 23 lakh shareholders.Substantial progress has already been made with regard to projects under Phase I namely those for the manufacture of MEG, HDPE and PVC.

MAHARASHTRA SCOOTERS

SPEEDING STEADILY

Maharashtra Scooters has maintained its performance during the year ended 31 March 1989 at the same level as that in the previous accounting year (nine months).

Sales and other income amounted to Rs 95.87 crores (Rs 65.62 crores). Gross profit was Rs 11.19 crores (Rs 5.13 crores). After providing for depreciation and taxation, the net profit was Rs 7.41 crores (Rs 3.06 crores). The directors have recommended a dividend of 35%.

KAJARIA CERAMICS

EXCELLENT PERFORMANCE

Kajaria Ceramics Ltd., New Delhi, has ended its first financial year with an excellent performance. The company commenced commercial production in late July 1988 and attained full capacity utilisation within one month.

For the first year (eight months) ended 31 March 1989, the company has achieved a sales turnover of Rs 6.83 crores (the projection for the current year is Rs 15 crores). While gross profit is Rs 2.06 crores, the net profit worked out to Rs 74 lakhs.

Meanwhile the company's Sikandrabad (near Delhi) plant is doubling capacity from 12,000 tonnes per annum to 26,000 tpa.

ARVIND MILLS

FAST GROWTH

Arvind Mills, the Ahmedabad-based textile manufacturing company, has come out with its guns blazing. On the financial and export fronts, the company has chalked up fast growth.

The sales turnover of the company has jumped to Rs 157.81 crores in the 13-month year ended 31 January 1989 as compared to the previous year's (12 months) Rs 113.50 crores. The gross profit of the company has nearly doubled to Rs 16.05 crores, while the net profit is Rs 3.59 crores (Rs 83 lakhs). Last year the company exported goods valued at Rs 3.04 crores.

The company proposes to make a Rs 17.33 crore debenture issue shortly to finance the modernisation of its plant and for raising long-term working capital.

JAY PEE TECH

SOFTWARE FOR HOSPITALS

Jay Pee Tech Pvt. Ltd. has developed a software package for use in hospitals that covers activities such as check-in and check-out of patients, billing, ensuring the timeliness of treatment, quick dissemination of information to different departments, etc. The package, christened Homapacs (acronym for hospital management and patient cure systems) also covers specialist areas such as cardio-thoracic cases, maternity, orthopaedics and so on.

The package is priced between Rs 40,000 and Rs 1.50 lakhs, depending on the configuration.

NIIT

HIGH TURNOVER

The turnover of the National Institute of Information Technology (NIIT) for 1988-89 touched the Rs 8.25 crore mark. This was 85% more than the previous year's figure.

To gear up for similar growth rates, NIIT has gone in for several key organisational changes. NIIT has set up a corporate services group for information technology consultancy, corporate training and distance learning systems and software products. The group will be headed by the company's executive director P. Rajendran.

Since NIIT expects software exports to contribute significantly to its turnover by 1991, an exports division has been set up. Also, a new division, called the Advanced Technologies Group, has been formed to tackle new technologies like Unix, Datacom and Network.

KTE

POSITIVE RESULTS

Khaitan Tibrewala Electricals Ltd., Khaitan group company, has achieved good results for the 15 months ended 31 March 1989. The company's turnover jumped from Rs 12.74 crores in 1987-88 to Rs 21.19 crores. As a result, the gross profit surged to Rs 2.04 crores (Rs 1.02 crores), a 60% growth on an annualised basis. Similarly, profit after tax jumped by 64% to Rs 1.40 crores. The directors have recommended a 20% dividend.

The company has recently launched its oscillating air circulators. It is now set to launch its washing machines.

ICICI

GOOD SHOW

The Industrial Credit & Investment Corporation of India Ltd. (ICICI) has announced a higher net profit for the year ended 31 March 1989. After providing for depreciation and taxation, the net profit figure went up to Rs 65.46 crores compared to Rs 64.62 crores for the previous year (15 months) ended 31 March 1988. The board of directors has recommended a dividend of 19% (22.5% for the previous year; 18% on an annualised basis).

ICICI is issuing Rs 75.05 crores worth of convertible debentures on a rights basis to its shareholders. Of the face value of Rs 750 per debenture, Rs 300 will be converted into three equity shares of Rs 100 each at par on 25 March 1990, and on the same dates in 1991 and 1992. The remaining Rs 450 will be converted between the 7th and 10th years from the allotment date, at a premium to be decided by the controller of capital issues. The issue closes on 14 June 1989.

IOL
makes waves on the western coast

with a new tonnage air separation plant at Tarapur

The pioneers in the industrial gases, welding products, health care products, cryogenic plants and liquid oxygen explosives for over 50 years, Indian Oxygen Limited (IOL) has set up the largest gases tonnage plant in Western India at Tarapur. To meet the critical and major needs of the fast growing industries in Maharashtra and Gujarat.

Operating in Bombay since 1935, the Company has put up the country's first Special and Rare Gases Centre at Taloja. IOL has also promoted a successful joint sector company with SIICOM - Maharashtra Weldaids Ltd - near Nagpur. And now the commissioning of the most modern Tonnage Plant at Tarapur heralds a new era on the industrial scene of Western India.

The 100% liquid gases production plant, designed and erected by IOL engineers, is a testimony to the technological capability of IOL.

Special Features of Tarapur Plant

- Single largest liquid oxygen/ nitrogen plant in Western India.
- Efficient and cost-effective plant ensuring consistent quality products for precision industries at competitive prices.
- Sophisticated control system for precision in production and related activities.
- Huge storage tanks of 1,000 tonne capacity for liquid oxygen and 700 tonne capacity for liquid nitrogen.
- Large fleet of high pressure super tankers of over 8,000 litre capacity.
- Efficient communication system for quick and reliable distribution.

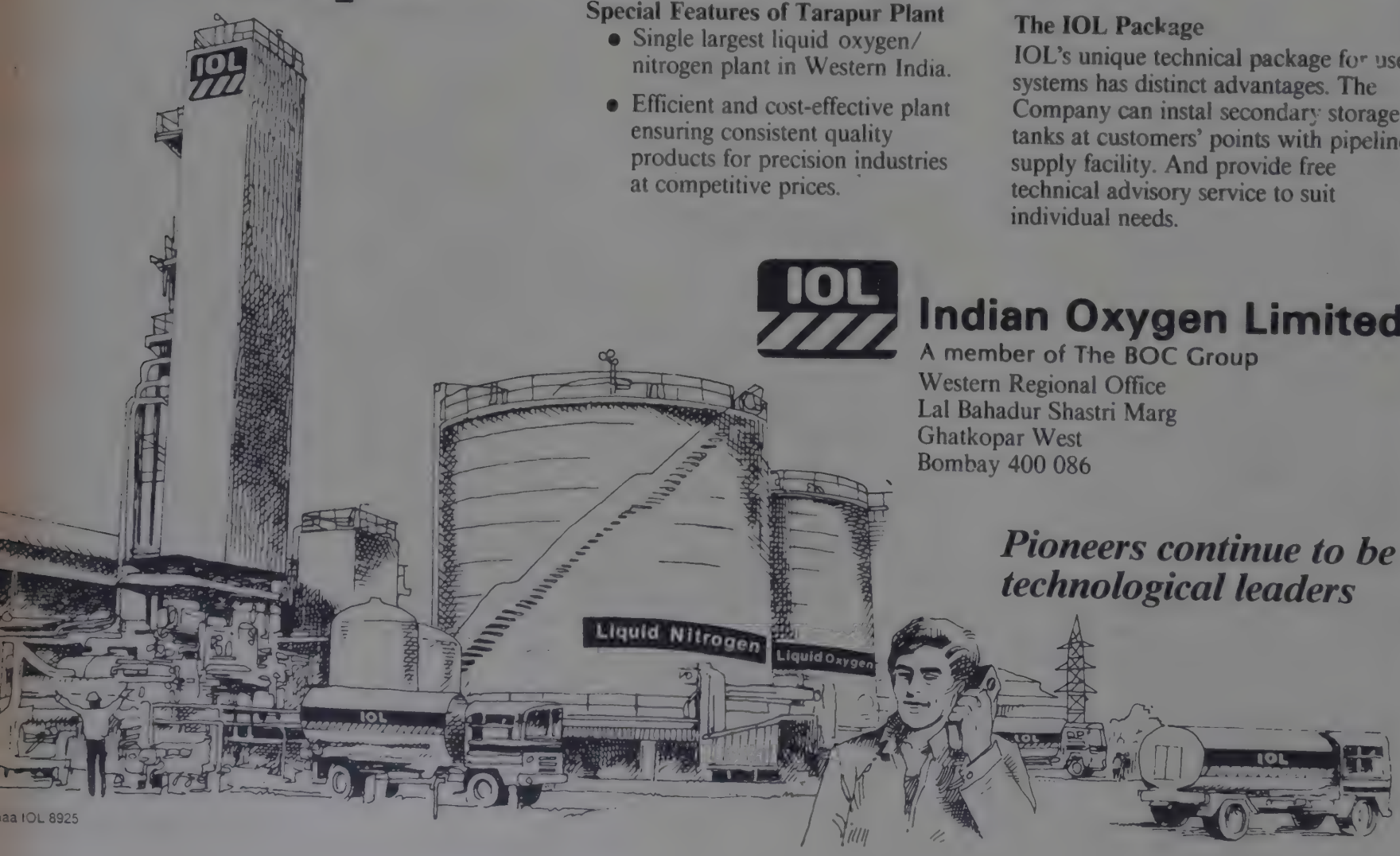
Supplies on Anticipation

The supply of gases is monitored closely by IOL. Scheduled and no-delay supplies are made to ensure reliable and uninterrupted availability of gases at customers' works. The large storage capacity helps reliable supplies.

Above all, IOL Tarapur Plant's production is guaranteed by continuous power supply from an integrated power grid.

The IOL Package

IOL's unique technical package for user systems has distinct advantages. The Company can instal secondary storage tanks at customers' points with pipeline supply facility. And provide free technical advisory service to suit individual needs.



IOL

Indian Oxygen Limited

A member of The BOC Group
Western Regional Office
Lal Bahadur Shastri Marg
Ghatkopar West
Bombay 400 086

Pioneers continue to be technological leaders

aa IOL 8925

ORDERS

■ **Godrej** has bagged an order from ET&T for 5,000 dot matrix printers (DMP). The DMPs have been developed indigenously by Godrej and offer all the features of comparable imported brands.

■ **Voltas International Ltd.**, has pocketed an order to provide airconditioning, climate control, plumbing and all technical services at the new Bahrain airport. Voltas will also completely refurbish the existing terminal. The contract is valued at over Rs 33 crores.

■ **BHF Bank**, the Frankfurt (West Germany)-based commercial and investment bank, has opened a representative office in Bombay.

Till recently engaged only in correspondent banking in India, BHF now proposes to expand its services to the financial sector by promoting trade finance and merchant banking products.

NEW PROJECTS

■ **Oceanic Merchandise Ltd.**, Hyderabad, has signed a joint venture agreement with Scan Fish Ltd., Denmark, for implementing a 100% export-oriented integrated fishing project in India. Scan Fish will hold 40% of the equity of the new company, Oceania, and provide the technical knowhow. The company will operate deep sea fishing trawlers and establish an onshore value added processing unit with a freezing house along with cold storage space to process fish and other marine catches of deep sea fishing vessels.

■ **Crompton Greaves** has launched a project at Jigani near Bangalore to manufacture rural automatic exchanges and channel banks developed indigenously.

■ **Anant Raj Clay Products** is setting up a project to manufacture glazed ceramic wall and floor tiles in technical collaboration with Henshall Bamford & Partners of the UK. Located in the Mohindergarh district of Haryana, the plant has an installed capacity of 18,000 tpa. The project cost: Rs 17.30 crores.

TIEUPS

■ **Loctite India Pvt. Ltd.** has entered into an agreement to manufacture adhesives with Loctite Corporation of the US. Earlier, Loctite's products were marketed in India by Fit Tite Chemicals. Loctite India, a new company, will take over all the activities of Fit Tite.

The plant, located near Baroda in the Panchmahal district of Gujarat, will manufacture the Loctite range of products, including high performance adhesives, sealants and specialised brandname chemicals.

■ **Wipro Systems Ltd.** has entered into an arrangement with US-based Ashton-Tate to market the latter's Framework III in India. Framework is a new, integrated decision support software for personal computers. It integrates the functions of word processing, spreadsheets, database management, business graphics, outlining and communications.

■ **Masa Decor Pvt. Ltd.** has tied up with Masa Decor GmbH, West Germany, to manufacture printed alpha cellulose base paper. It is the base raw material with which decorative designs are imparted on laminated sheets. This is the first time that such a product is being produced in India commercially. The plant will have a capacity to manufacture 1,800 tonnes per annum.

NEW PRODUCTS

■ The tyre division of **JK Industries** has introduced Star Trak, a steel belted radial tyre. The tyre's steel belt acts as a stabilising force under the tread, and the steel girdle eliminates distortion and shuffling when the tyre flexes while in motion. This enables the tyre to give up to 70% extra mileage on passenger cars, it is claimed.





THE SPARKLING WINE MARQUISE DE POMPADOUR

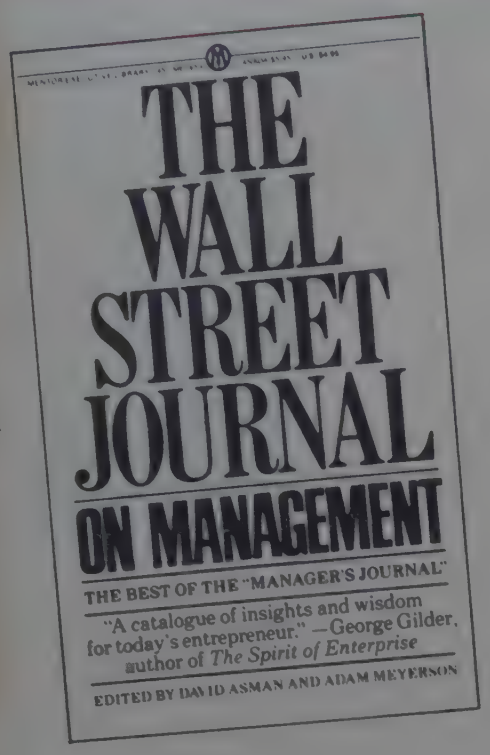
■ **Indage Ltd.**, promoter of Champagne India Ltd., has launched Marquise de Pompadour, the sparkling wine that is highly acclaimed abroad. A bottle costs Rs 270 and will be sold first in Bombay, Calcutta, Goa, Hyderabad and Pondicherry. The wine is being produced under licence from Champagne India, which is a 100% export oriented unit.

■ **Dunlop India** has launched a range of two-wheeler nylon tyres called Spectra-Wide. The range has been developed in collaboration with Sumitomo Rubber Industries of Japan using a special rubber compound.

EVENTS

■ **The Public Relations Society of India** (PRSI), will be hosting a conference at Calcutta from 22-24 June where topics on crisis management will be discussed. A galaxy of personalities from management, business, the administration and public life will be taking part.

MANAGERS ON MANAGEMENT



(Edited by David Asman & Adam Meyerson. Published by Dow Jones & Co. Inc. Mentor edition—September 1988. Price not mentioned.)

The *Wall Street Journal* has a regular column called "Manager's Journal." As the title suggests, it is written by practising managers. Started in 1979, this column has grown in popularity and articles have found their way to the notice boards and in-house magazines of the corporate world.

The Wall Street Journal On Management is a selection of 60 of the best contributions to the column. Edited by David Asman and Adam Meyerson, past editors of the "Manager's Journal," the book is divided into seven sections: (1) The individual and the organisation; (2) Technology; (3) Teamwork; (4) Strategy; (5) Hiring and Firing; (6) Protecting the company (from takeovers); and (7) Family and Friends. The contributors are distinguished managers — Aaron Levenstein, Kenichi Ohmae, John Young, Richard van Horn, and Martin Bauman, to name a few.

The most pleasing aspect of the book is its jargon-free language. The first section on 'Making the most of yourself' is probably the best and is a virtual lesson for executive improvement. This section deals with managing time, managing subordinates, improving alertness, public speaking and getting positive results. It also has a touching piece by Frank Beandine about 'paying his dues' when he started his career with McKinsey Consultants.

Section two deals with technology. It has articles by Kenichi Ohmae on robots and quality circles. The advent of computers in business is discussed cursorily in two articles, though it merits a few more articles. The section also does not throw much light on 'future technology' and the changes offices and executives will have to make with the emergence of such technologies.

Without theorising, this book offers a wonderful perspective to executives — from other executives who have become legends in their lifetime

Section three is interesting — 'people you work with.' It reinforces the basic tenets of good teamwork in an organisation — improving productivity by being nice, ways of criticising bosses and subordinates, the problems faced by young managers who have older executives reporting to them, the problem with office alcoholics (not much of a problem in India, but apparently a big one in the US) and handling high potential executives. The principles explained, however, are not new and have always existed in business books. The authors of the articles have created a special feel for each topic by discussing examples from everyday life.

Section four on 'strategy' is a letdown. Very little strategy is discussed. Strangely enough, there is an article on test marketing here, an article on cooperative ventures and one on superstars rescuing dull companies. One can't help feeling that this is a 'collage' section where articles that didn't fit into the other sections have been thrown in.

The next section deals with the much-misunderstood personnel departments in organisations. The first article on 'what you can and can't learn from interviews' is truly good. It addresses the problem an interviewer faces, including the one on how one judges a candidate's values, principles and management style in an interview that lasts less than 30 minutes. There is also a collection of articles (obviously!) on sacking an employee and the complexities involved in the process.

Section six on 'protecting your company' is best suited for the corporate stratosphere. Considering the takeover mania and the merger madness prevalent in Europe and America, the five articles in this section don't offer much.

The seventh and last section on the personal aspect of an executive's life is dealt with well. This is the only section where there is specific advice for the working woman — in terms of managing her career, her children and her husband. The section throws up some disturbing facts — nearly 70% of executives in the US believe that personal sacrifices are part of an upward career path in an organisation. One wonders whether this will be true for India and other industrial societies.

In balance, the seven sections combine to give a wonderful perspective to an executive. As mentioned earlier, there is no theorising and the language is lucid. This is definitely a book worth reading. In case you are wondering why there is no section on marketing, the answer is that *The Wall Street Journal* has another special on 'Marketing.'

■ *D. Shivakumar*



To those out to conquer European business, there's one flag worth flying.

The map of Europe up there flags our more than 50 destinations on the Continent where business prospects seldom flag. For instance, nine in Germany: Bonn/Cologne, Dusseldorf, Frankfurt, Hamburg, Hanover, Leipzig, Munich, Nuremburg and Stuttgart. Seven in France: Bordeaux, Lyons, Marseilles, Mulhouse, Nice, Paris and Toulouse. Six in Italy: Bologna, Catania, Genoa, Milan, Rome and Turin. And, three in the UK: Birmingham, London and Manchester. With our daily non-stop Bombay-Zurich connection; brief transfers in Switzerland and punctual departures and arrivals, you can meet your business engagements on the dot every time you fly with us.

swissair

For details call your IATA travel agent or the nearest Swissair office:
AHMEDABAD 449149 · BANGALORE 571983 · BOMBAY 2872210 · CALCUTTA 444643 · COCHIN 360380 · DELHI 3325511 · HYDERABAD 224244 · KATHMANDU 222452 · MADRAS 86158

everest/SW/12

FIAT TAKES A NEW ROAD

It is not a humble carmaker which is returning... Fiat's current gameplan for India includes a vast repertoire of operations including telecom, biotechnology, agriculture, railways and aerospace

It seems to be the season for the return of the prodigals. Foreign companies which had left India in a huff amid much fanfare, and others which had slunk out unnoticed, are returning one by one. Among those which have made a largely anonymous re-entry is Fabbrica Italiana Automobili Torino (Fiat). Early in May, the Italian giant formally reopened its Indian operations. A fresh beginning has been made after it had severed its links with Premier Automobiles Ltd. in the seventies.

"India is today part of Fiat's global strategy, especially in South Asia," says Ugo Lanfranchi, Fiat's group general manager (Indian operations). And it is not just a humble carmaker which is returning; if the earlier forays were limited to automobiles and communications, Fiat's current gameplan for India includes a vast repertoire of operations which the $32 billion (fiscal 1988) conglomerate handles. This includes telecommunications, biotechnology, agriculture, railways and aerospace.

The re-entry was only a matter of time. With the US market looking an increasingly bleak proposition and automobile exports to other European countries having dropped by 8%, a foray into India and other developing countries was a must.

Besides, Fiat has been going places of late. The two years — 1987 and 1988 — were particularly eventful ones with the takeover of majors like Alfa-Romeo, Iveco-Ford, Snia BPD and Telettra Espanola. With the group having a finger in many a pie, it made eminent sense for it to tap a major market like India.

In a way, of course, the group had made its re-entry in October 1987 itself when Iveco, the 100% owned subsidiary of Fiat, along with the Hindujas bought up a controlling 39% holding in Ashok Leyland. Even though the group has only a 13% stake, it was quite clear from day one that it was but part of a larger strategy. Says Lanfranchi, "We have a major programme for Ashok Leyland which we will slowly unfold."

LANFRANCHI IS NOT JUMPING INTO THINGS



PARTICIPATIVE MANAGEMENT

For starters new models of trucks and light commercial vehicles are planned for the current year. These include a mini-truck to be called Comet Junior, the introduction of a medium duty vehicle for specialised applications, and upgradation of the turbo-tractor model. In all these expansion and diversification plans, Fiat has no intention of being a sleeping partner. "Let's face it. We are not a bank. We are seriously looking at participative management," says Lanfranchi.

In Ashok Leyland, it is largely a question of keeping things going and there is not much excitement expected from that front. More activity is expected in the telecommunications sector where Fiat's subsidiary, Telettra Spa, has been able to make gradual inroads. Specialising in the supply of transmission equipment, Telettra has over the years bagged orders from the National Thermal Power Corporation, the Steel Authority of India Ltd., Coal India Ltd., Damodar Valley Corporation and state electricity boards.

INCREASED EMPHASIS

An increased emphasis on this sector makes particular sense because of the quantum of the investments involved: a whopping Rs 20,000 crores is to be spent on telecommunications during the eighth plan. A good part of this cake will go for transmission equipment where Telettra, Fujitsu and NEC of Japan are the international majors.

Probably realising the scope and the coming competition, Telettra is in the process of cobbling together manufacturing arrangements with Indian public sector electronic companies. The products currently on the anvil are digital micro-wave bridges, data transmission networks and multiplex devices. And, in tune with the latest fad in telecommunications, Telettra is also seriously considering offering rural networking technologies.

Some groundwork has already been done. A telecom team from Fiat has visited the country and held talks with the Union communication minister, Vir Bahadur Singh. With Telettra having supplied equipment to the department of telecommunications (DoT), the Telecom Research Centre (TRC) and Mahanagar Telephone Nigam Ltd. (MTNL) for nearly 10 years now, the company has been able to build up an excellent rapport with DoT officials.

There is, however, one problem. Telcom czar Sam Pitroda is known for his dislike of imported technology and Fiat will have to do some selling if it is to make substantial headway.

Even the proposed manufacturing tie-ups have a few hurdles to cross. So far, out of the nearly 150 foreign collaborations approved in the telecom sector, barely 10 have taken off. With such a track record in this sector, Fiat will have its work cut out. However, it is going ahead manfully. As a first step, it has set up a repair shop in India. That only goes to show that Fiat is confident that its market in the country can only grow.

UPGRADING POWER PLANTS

The renovation and modernisation of old thermal power stations has become a necessity. This is due to the increasing capital costs of power plant equipment and the changing fuel scenario. In January last, a conference on "Residual life of power plant equipment — prediction and extension" was held in Hyderabad. It was revealed that the Central Electricity Authority (CEA) is implementing a programme for the renovation of aged thermal plants.

The CEA plan involves the extension of life of 164 thermal units, aggregating to a capacity of 13,585 Mw in 34 power stations scattered throughout India. The project, estimated to cost Rs 1,150 crores, has been under implementation since 1984-85. When completed, the rejuvenated thermal power stations will be able to generate an additional 11,556 million units (mu) per annum. New thermal capacity to generate this level of additional output would have cost about Rs 3,000 crores.

The sorry state of many thermal plants is partly due to the fact that foreign electricity utilities and suppliers succeeded in the past in palming off their outmoded equipment to us. In addition, there has been our own inability to meet the maintenance standards and adhere to the prescribed equipment specifications. The result has been that though most of these equipment were not more than 15-20 years old, they aged much faster, leading to a deterioration in their performance.

The plant load factor (PLF) — or — availability of energy from thermal units expressed as a percentage of the rated generating capacity — has hovered around the dismal figure of 45% for nearly a decade. In fact, the power generation loss from forced outages and non-availability of power from thermal stations had gone up from 25,841 mu in 1980-81 to 40,350 mu in 1987-88. An analysis carried out by the CEA pointed out that these losses resulted from the failure of boilers, turbogenerators and their auxiliaries and miscellaneous factors.

One of the major culprits has been the deteriorating quality of coal supplied. With limited good quality coal output and inadequate coal washeries, the ash content of coal had been on the increase. In the past, even coal mixed with sand and stone has been passed on to the power sector, shortening the life of boilers and leading to forced outages. The excessive ash presence increased the wear and tear of the boilers and its associated parts. The failure of the state electricity boards to generate adequate resources for the maintenance of boilers has also led to frequent repairs, adding to the outages.

Replacements and modifications have had to be made in turbines and auxiliaries, electrical systems, controls and instrumentation as well as the ash handing systems.

The electrostatic precipitators and ash handling systems installed earlier have not been able to cope with the increasing amounts of ash. What is highly regrettable is that we have not been able to properly maintain even the water chemistry of the thermal power plants.

The measures now being taken by the CEA are, no doubt, welcome.But are they adequate and has New Delhi considered other alternatives? It is understandable that the modernisation programme has been necessitated by resource constraints, but it is equally important that we take into account our fuel scenario in formulating such plans as many other nations do. Unfortunately, an integrated energy policy or planning is yet to take root in the country.

A method adopted by many nations to extend the life of thermal power stations is combined cycle generation. Interest in co-generation has been stimulated by two major factors during the past 10 years. They are: (1) a consciousness of the scarcity of energy resources available worldwide, and (2) the improvement in gas turbine technology that is making very high efficiencies attainable by combining gas and steam turbines in combined cycle plants.

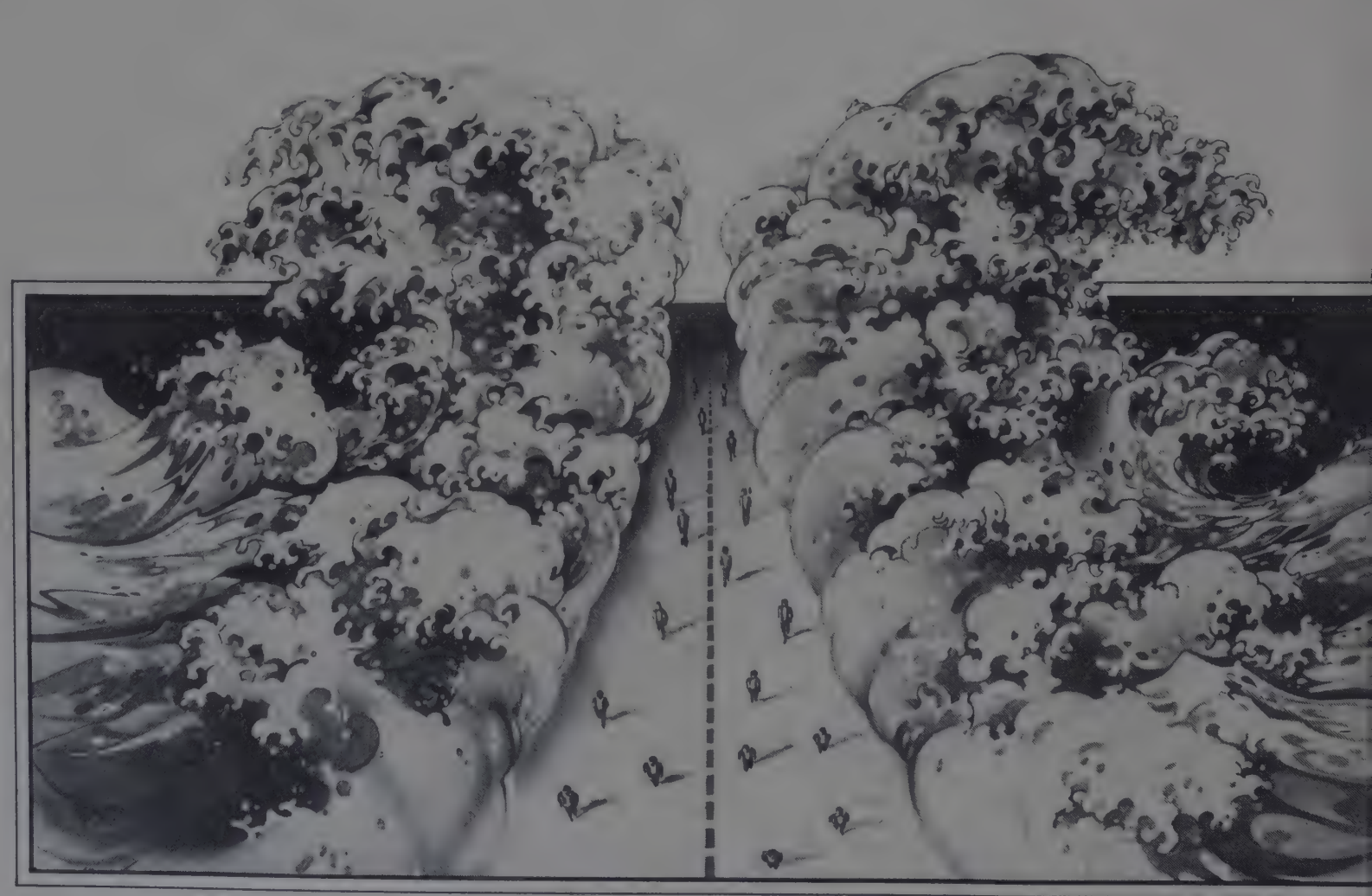
The government has ambitious plans to renovate and modernise underperforming power plants. It's a worthwhile exercise, but developments abroad indicate that there are better options available

To cope with fuel uncertainties in the future, electricity utilities are looking into still advanced power producing options, which can be brought on line quickly in less costly increments of several hundred megawatts with long-term fuel flexibility and good environmental performance. A prominent option is the phased introduction of the integrated gasification combined cycle (IGCC) approach. Using this, a utility may run the combined cycle facility till it can add a coal gasification plant (i.e. when coal is sufficiently cheaper than natural gas or oil to justify the investment). Several utilities in various countries have already announced plans to proceed with phased IGCC.

For example, the 500 Mwe (megawatt electrical) steam power station at Hemweg, Amsterdam (the Netherlands) was repowered during the summer of 1987 with the world's largest gas turbine having a power output of 140 Mwe. A turbine consuming natural gas was used not only for electricity generation but also to raise steam for a conventional power station by feeding its exhaust gases into the existing boiler. In fact, the oxygen remaining in the turbine's exhaust gas was used for the combustion of the fuel through burners in the boiler equipped to run on natural gas or light distillate oil, if required. With this second combustion, the temperature of the turbine exhaust gas was raised to a level that allowed a high quality thermal steam cycle.

The aim of the project was to improve the overall effi-

CMC can't part the seas.
(At least not yet.)



But it can perform minor miracles offshore. Like designing a computerized Container Terminal Management System on a turnkey basis. For one of the most automated ports in the world — Nhava Sheva. Against competition from international giants. In the record time of 41 weeks.

Nhava Sheva. That's what the ports of the future will look like. Not New York, not Singapore, not Hamburg can match the totally integrated automation at the Nhava Sheva port.

It was on July 22nd, 1988 that the World Bank, along with the Nhava Sheva Port Trust awarded the Rs. 10 crore contract for a computerized Container Terminal Management System to CMC against global competition. They wanted the entire turnkey project to go on stream within 41 weeks.

The deadline was so tight that everyone advised us to go in for readymade software. We did nothing of the sort. We relied entirely on our own resources.

We procured and installed the hardware. We prepared the computer site. And we wrote the entire software in India, from scratch.

41 weeks. As always, we delivered. On the dot.

Integrated automation: why is it such a big deal?

Speed is the essence of any operation at a container port. The faster a ship unloads and loads, and the faster the containers are moved through the terminal, the greater the number of ships and the bigger the volume of cargo a port can handle. What CMC's computerized system does is to accelerate and streamline both planning and operations at the port. It does this by integrating the varied and complex information requirements of all the agencies involved in port operations, and providing real-time, on-line data.

How does the system work?

Even before a ship berths, it presents its profile along with the list of containers to the central computer. The system then works out the sequence of unloading the containers and instructs the microprocessors on the shipside cranes to execute this sequence automatically.

The computer simultaneously directs port trucks equipped with mobile radio-data terminals to pick up the discharged containers and take them to the yard. Here the containers are automatically lifted by transfer cranes and placed in pre-determined locations.

Our software provides a sophisticated Decision Support System for yard and ship planning functions. Simplified documentation and administration procedures assist the customs and police authorities, shipping agents and other users who have direct access to the system.

International reputation.

In a matter of a few years CMC has become India's largest information technology company and a force to reckon with in the international market. We've computerized passenger reservations for one of the largest railways in the world, Indian Railways. In 1987 we designed a Games Management System for the 10th Mediterranean Games in Syria in record time. Currently we're designing a train scheduling system for London Underground Ltd.

Our greatest strength is our expertise in every area of information technology, whether it's data communications, data base, graphics or on-line transaction processing. And extensive experience in applying this expertise to the most varied fields and problems.

Name any project in information technology, be it energy management, mining, communications or whatever, we'll deliver the goods. On time.

CMC Limited

(A Government of India Enterprise)

1A, Ring Road, New Delhi 110 014.

CMC... information technology to improve the quality of life for all.

Pratibha CMC/28/89-A

ciency of the plant, reduce fuel consumption and raise the power output. By the combined cycle operation, the net efficiency of the plant was increased from 41.3% to 45.9% and the net electric power output by 104.8 Mw with an additional fuel energy of just 111.3 megajoules per second. This shows that the additional fuel energy supplied to the repowered combined cycles over the pure steam cycle is converted to a large extent into electric energy.

In the US, the Virginia Power Co. has been studying, since 1981, non-conventional means of meeting power requirements. Some of the technologies studied include solar photovoltaic cells, coal gasification combined cycle units, fuel cells and wind turbines. These technologies are flexible in their use of fuels, involve modest capital investments and offer some attractive options when compared to conventional large central generating units.

The study reaffirms the view that the ability to reduce demand-related risk construction and operating costs is crucial while balancing capacity and demand. The above technologies allow flexibilities but have not yet matured to the point of acceptable commercial status.

The study concludes that the phased development of combined cycle coal gasification could provide — in stages — the benefits sought as the technology matures.

Though the industry has already had significant positive experience with combined cycle units, it has not yet become cost effective for the addition of coal gasification on a utility scale.

One advantage of the gasification system is that more extensive cleaning may be possible as the gas may be scrubbed to lower the content of particulates and to reduce the amount of pollutants. Those concerned with acid rain have been crying themselves hoarse about stricter emission standards and additional air pollution controls on hundreds of factories and older coal-fired power plants.

Although 40% of the coal used for generating electricity is cleaned to some extent, mostly through physical processes that use differences in particle density to separate coal from impurities, there is still vast scope for cost-effective coal quality improvement. This is what the present day clean coal technologies do. No doubt, with the desire of reducing emissions as quickly as possible, the proponents of acid rain control are urging utilities to instal wet scrubbers or measures using equivalent technology. But it is becoming clear that the most cost effective means of complying with sulphur dioxide emission standards is a combination of coal cleaning and partial flue gas desulphurisation, rather than total reliance on wet flue gas scrubbing with its large water use, inherent process complexity and costs.

The power station of the future will look quite different from that of today if some of the ideas now afoot for producing electricity from coal using pressurised fluidised bed combustion (PFBC) or gasification enter the commercial market. The attraction of these new technologies for burning coal lies in the thermodynamic efficiency obtained from combined cycle operations with gas and steam turbines. Besides, emissions of oxides of nitrogen are reduced because the combustion takes place at a lower temperature and oxides of sulphur can be readily controlled by adding limestone to the fluidised bed.

PFBC plants are now under construction in Sweden, Spain and the US, among other countries. They use a combined cycle and are primarily intended for plants ranging from 70 Mwe to 700 Mwe. Here the hot combustion gas is expanded through a gas turbine and steam for the steam turbine is produced by heat exchangers in the combustor. The cycle envisaged for the coal gasification system is similar in principle. The PFBC's extreme compactness makes it particularly suitable for the retrofitting of oil or coal plants. This does not mean that new plants cannot be addressed by PFBC technology. In fact, it has been projected that through the nineties and beyond, PFBC technology will offer the lowest cost electricity when using coal.

As far as environmental requirements are concerned, an important fact is that no additional space is required for desulphurisation and denitrogenisation equipment. The effectiveness of the nitrogen oxides reduction techniques, currently being used, involve modifying combustion patterns within the bed and the use of in-bed or gas path additive injection. The use of limestone rather than dolomite for desulphurisation is a recent invention. For dust control, it is anticipated that for the next five years or so, PFBC's will continue using cyclones for turbine protection and a bag for clean air requirements.



GAS TURBINE POWER PLANT AT HEMWEG, NETHERLANDS

Both the US department of energy (DoE) and US industry have at present major programmes to advance IGCC technologies. The DoE-sponsored activities consist of two programmes: the clean oil technology demonstration programme and the fossil energy R&D programme. The former is a government-industry cost-shared programme to demonstrate innovative, clean coal technologies while the latter concentrates on the development of advanced gasifier systems and hot gas cleanups.

Under this programme, the Consolidation Coal Co. of Pittsburgh, Pennsylvania, and Foster Wheeler Power Systems of Livingston, New Jersey, will design, build and operate an integrated gasification combined cycle power plant in Morgantown, West Virginia. The steam produced will replace three obsolete coal-fired plants at West Virginia University and the power produced (30 Mw) will be sold to the Monongahelia Power Co. The system is based on a coal gasification process with sulphur being removed by limestone. It is expected to start operation in early 1990.

The second IGCC project, the Appalachian Project, will feature the Kellogg-Rust-Westinghouse (KRW) ash agglomerating fluidised-bed gasification process using in-bed desulphurisation with advanced hot gas cleanup for particulate matter and sulphur control. This nominal 60 Mw demonstration project will deliver fuel gas at 538-650 °C to the gas turbine.

Several companies in the US are also actively pursuing the development of IGCC systems. Coal conversion pilot plants are in operation in some places in Europe such as the PFBC plant at Grimethorpe in the UK. What is of

interest is that a couple of large-scale US-based PFBC power plants had reached full generating capacity in recent months, establishing important milestones in the development and application of clean coal technology.

The cost of converting a pulverised coal boiler to PFBC and upgrading an existing turbine is by no means cheaper (it is at present higher by a factor of about 3) as compared to the cost of constructing a new coal-fuelled plant of equivalent capacity. But the expectations are that costs will come down as the method begins to operate commercially. In addition, there will be no need for extensive air pollution control equipment.

Although the advantages of these environmentally friendly systems could be considerable, commercial exploitation beyond the demonstration stage will need critical metallic components to perform well enough in the tough conditions associated with such coal conversion technologies. Output gases from a PFBC will contain particulate matter, which if unchecked, will cause serious problems of erosion and/or fouling of the turbine blades. So considerable care must be taken in filtering the combustion gases. In addition, the limestone used to absorb sulphur can form deposits on the heat exchanger tubing and corrode the underlying metal.

A critical feature of the combined cycle operation based on coal gasification is the performance of the gas turbine. The high entry temperatures that are needed to obtain maximum efficiency are a serious challenge to turbine materials. Advanced technologies in blade cooling will be necessary and levels of sulphate and chloride compounds have to be low to reduce corrosion problems

The National Physical Laboratory (NPL) of the UK, in collaboration with British Coal, is undertaking a research programme to select the most appropriate alloys for long-term performance in severe conditions. The work at NPL has also concentrated on examining the corrosion behaviour of the candidate materials with particular emphasis on the influence that deposits will have on the corrosion process. In the US, the DoE's R&D programme will look at methods of particulate matter control in the combustion gases with such devices as cyclones, ceramic bag filters and/or tube (candle) filters.

New Delhi is, no doubt, aware of the above advances and with the recent discovery of large deposits of natural gas, the government has permitted the use of gas as a fuel in power stations. The Bharat Heavy Electricals Ltd. (Bhel) is tying up with General Electric of the US and KWU of West Germany for the manufacture of higher rating gas turbine plants of 100 Mw and 135 Mw capacity in the eighth plan. The largest order for Bhel gas turbines have come from the Gujarat Industrial Power Co. Ltd., which is setting up a 145 Mw combined cycle plant at Baroda. The plant comprises three gas turbines each of 32 Mw and matching waste heat recovery boilers in conjunction with a 50 Mw turbo-generator. The Assam State Electricity Board is also likely to set up a 540 Mw gas based combined cycle thermal power plant at Anguri in Sibsagar district with financial assistance from the World Bank.

■ *K.A. Neelakantan*

INDO-GULF SEMINAR
ON
PROMOTION OF INDUSTRIES AND EXPORTS

This international Seminar along with Trade Exhibition organised by Network Consultancy Services, Hyderabad in association with A.P. Non-Resident Indian Investment Corporation, Hyderabad (ANRICH) covers the following topics:

- INVESTMENT POLICIES
- TAXATION MATTERS
- PROMOTION OF EXPORTS
- FACILITIES FOR NRIs
- INDUSTRIAL AND EXPORT OPPORTUNITIES IN:
  - Electronics
  - Petrochemicals & Plastics
  - Engineering
  - Drugs and Pharmaceuticals
  - Chemicals
  - Food and Agro Based Products

VENUE: Hotel Krishna Oberoi, Hyderabad. Dates: 10-12 July, 1989.
For Seminar Brochure and other details, please contact:

Network Consultancy Services Pvt Ltd.
1-2-412 / 28 / 1, Gaganmahal, Hyderabad - 500 029.
Tel: 237315 (3 lines) 241642 Tlx: 0425-6075; 0425-6681

PLASTIC FROM OLD TYRES

A group led by Bernard Bauman at Air Products & Chemicals, USA, has developed a process to convert rubber in used tyres to a plastic composite. In this method, the old tyres are ground to a powder and treated with a mixture of fluorine and other gases such as oxygen, sulphur dioxide or chlorine. The fluorine reacts with the surface of the rubber to form free radicals which then react with the other gas components of the mixture to form reactive groups such as hydroxy (OH) or carboxylic acid (CO_2H).

These form chemical bonds with the new polymer to give a bonded composite which is much stronger than a simple mixture of the two components. The final product is extruded from the heated mixture of rubber and polymer under high pressure and costs less than a quarter as much as conventional PVC piping.

The fineness of the ground rubber determines the final use of the recycled material. Very finely powdered rubber is suitable for new tyres and is much cheaper than virgin rubber. Coarser ground rubber can be used for gaskets, rubber covered rollers and hose pipes.

The method, besides recycling used car tyres into useful products, will also help solve the environmental issues associated with dumps of used tyres in the US.

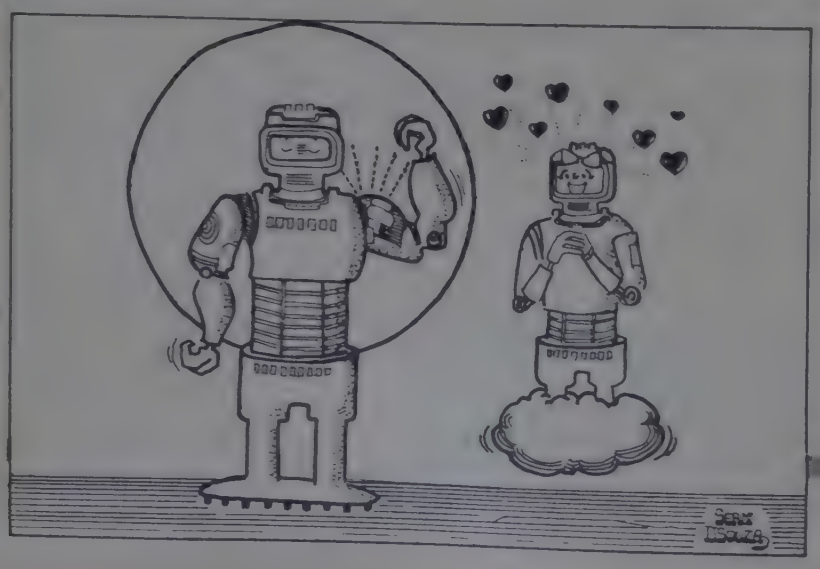
POWERFUL ANTIBIOTIC

An antibiotic, 100 to 200 times more powerful than any available today, has been developed by a team of scientists from the Korea Research Institute of Chemical Technology. It has proved to be highly effective in curing a wide range of inflammatory diseases.

The South Korean institute, which has named the new antibiotic KR-10664, has applied for patents. It has also started negotiating with foreign pharmaceutical companies for the licensing of the technology.

MUSCLES FOR ROBOT ARMS

An understanding of how human muscles work has enabled some researchers at Hull University in England to create muscles for robot arms. The muscles, made from a polymer, were found to be more compliant than those driven by conventional hydraulic, electrical or pneumatic techniques.



The arms move by expansion and contraction of polymers. The muscles are made to relax or stiffen by adding a chemical. The scientists, whose idea of driving robots with muscle arose from studying human and animal movements, have focussed on a co-polymer of polyvinyl alcohol and polyacrylic first investigated in the fifties.

NEW COMPUTER CHIP

Toshiba Corporation, Japan, has developed a revolutionary new computer chip that could some day replace the magnetic discs now being used to store information in most personal computers (PCs).

The new chip would eliminate the need for the disc-drive systems now used with magnetic discs to read and write information. This will allow manufacturers to develop smaller and lighter PCs.

According to Toshiba, the 4 megabit chip can store 16 times more information than other chips of its type called EEPROMs (Electrically Erasable Programmable Read Only Memories).

TOWARDS WALL TVs

Scientists at General Electric's R&D centre have developed a nine-inch diagonal colour liquid crystal display (LCD) that contains over 1 million pixels, the largest number of pixels ever put on a single LCD.

A typical LCD device — used in pocket TVs, for example — has about 240 by 300 pixels, a total of 72,000 and delivers a fair quality picture. The 1 million pixels — nearly 27,000 per square inch — on the GE device gives the display a resolution that is comparable with a high quality video monitor. It is at least twice as high as a standard colour TV.

A 6.25 by 6.25 inch flat panel prototype is being developed by GE's Aircraft Instruments Department for use in aircraft cockpits. The designers, however, see this LCD as an alternative to present cathode ray tube displays.

CLEAN COAL BURNING FOR OIL RECOVERY

The US department of energy's Argonne National Laboratory has developed a new technique that involves burning coal in a mixture of pure oxygen and recycled coal combustion gases. The process yields combustion gases with extremely high concentrations of carbon dioxide (CO_2). The resulting gases contain up to 95% CO_2, compared with about 15% under conventional conditions.

The high percentage of CO_2 can help recover oil from fields now considered depleted. When the gas is pumped into seemingly depleted oil wells, the CO_2 mixes with the oil making it flow easily and easier to pump out. Another advantage is that the CO_2 pumped into the earth stays there rather than being emitted into the atmosphere and adding to the greenhouse effect.

NOISELESS MUSIC

Digital signal processing technology and artificial intelligence computer programming techniques have been employed by a small company in the US to create a new system that takes noise out of old recordings.

The new system, called 'No Noise', employs two processes — one to remove brief noises like clicks and another to remove steady noises like tape hiss, guitar amplifier hum, etc. If requested by a customer, the system can also provide digital equalisation to boost or de-emphasise certain frequencies.

For declicking, the system reconstructs the problem portion of the recording by analysing the content before and after the click and interpolating the portion in between. Since the duration of the click is short, the process can sample enough of the surrounding material to make plausible guesses about the portion hidden by the noise. Removing steady noise is a longer process. The system first samples the noise at 2,000 points in the frequency spectrum creating a fingerprint to differentiate between noise and signal. Tests are then run to determine the maximum level of noise reduction possible without altering content.

The 'No Noise' system is used primarily to remaster old recordings for release on compact discs.

NEW BLOOD SUBSTITUTE

Northfield Laboratories of Chicago, USA, has developed a blood substitute that can be given to patients regardless of their blood group. The substitute is based on polymerised human haemoglobin recovered from donor blood cells. It will be produced and marketed by the Swedish pharmaceutical company, Rabi.

The substitute is capable of fulfilling the function of red blood cells, of transporting oxygen and maintaining pressure in the blood vessels. It is also free of viral pathogens including hepatitis and AIDS. It cannot be excreted by the kidneys because of the larger size of the molecules.

Two advantages of the poly-haemoglobin solution are that no typing or cross-matching of blood will be necessary before patients receive it and that it can be stored for at least a year in refrigerators without loss of quality as compared to a maximum of six weeks for donated human blood.

SUPER-STRONG WOOD

A pair of Canadians has developed a new wood, or rather superwood, that is as tough as steel. The new wood, called Parallam, has been designed by Dereck Barnes and Mark Churthland of MacMillan Bloedal, a Canadian company.

Parallam is made by peeling a conventional log into sheets, then cutting the sheet into strands 2 to 3 metres long and 1.5 cm wide. The strands are glued together with resin; they are then cured by microwaves. The secret of Parallam's strength can be attributed, in part, to the



number of strands employed. There are more than 1,000 of them in a 3.5 by 14-inch cross-section.

MacMillan Bloedal has already started manufacturing Parallam. It hopes that the superwood will compete with steel and concrete as a construction material. What is more, any structure built with the wood can survive an earthquake.

NEW PROCESS FOR GRANULATING FERTILISERS

A new process for granulating fertilisers on a continuous basis has been developed by a French company, Extramet Industrie. The equipment consists of a large volume granulation device (called a shower) that includes a perforated, circular and slightly convex plate. A jet of liquid fertiliser passing through the plate is made to vibrate. The fertiliser is cut into identical spheres before it solidifies. Each shower is equipped with a 40-watt electromagnetic vibrator, powered by a frequency generator, located in the control room.

The finished products are extremely regular (granulometry of between 2.15 and 4 mm) and do not need to be recycled. There is no build-up of fertilisers on the walls of the device or holed plates, thus reducing, if not eliminating, shut-down time.

ENERGY FROM EFFLUENTS

Biomechanics Ltd., England, has developed a process which minimises the yield of sludge and eliminates the need for a drying bed in effluents with a high organic content — such as those from food or beverage processing plants. Also, it generates a valuable fuel byproduct — methane — which may be used to complement existing energy resources.

Three large tanks are used for the equalisation, digestion and settlement stages of the process. The company, in fact, supplies gas and liquid pumps, as well as controls, cooling and heat exchange equipment to provide a complete installation.

For the first time in India production of **natural protein of international quality** makes **SAKTHI SOYAS** a different soya company.



Sakthi Soyas – a 300 TPD integrated soya complex is being promoted by the well-known industrialist Dr. N. Mahalingam, jointly with Tamilnadu Industrial Development Corporation Ltd. (TIDCO)

Sakthi has wide ranging business interests in sugar, finance, textiles, beverages, transport, plantations, etc. But it is Sakthi's grassroot links with farmers through agro-based industries, which make Sakthi Soyas, a Soya Company with a big difference.

Thanks to intensive agricultural extention work done by Sakthi Agronomists and the Tamilnadu Government, Soya is now being cultivated extensively in Tamilnadu. This should ensure an assured supply of soyabean for the Company from three crops throughout the year.

For the first time in India, protein flour of international quality, will be manufactured by Sakthi Soyas, besides refined soya oil, an import substitute item and defatted soya meal which has an assured export market.

CONFIRMING THE STRENGTH OF THE PROJECT, THE COMMONWEALTH DEVELOPMENT CORPORATION OF U.K. HAS INVESTED RS. 1 CRORE IN THE EQUITY SHARE CAPITAL OF SAKTHI SOYAS.

The plant is slated to go into production during July 1989

Issue Highlights

- Promoted by Dr. N. Mahalingam of **Sakthi**, the name with strong agro links for 25 years, along with TIDCO in Joint Sector.
- **Assured supply of soyabean throughout the year.**
- For the first time in India production of soya flour of international quality.
- Assured export market for soya meal.
- **Very low break-even point of 40%.**
- No gestation. Production begins in July 1989.
- Equity Investment of Rs. 100 Lakhs by Commonwealth Development Corporation, UK.
- 80 CC and Wealth-tax benefits.
- Listing at Madras, Bombay and Ahmedabad Stock Exchanges.

Public Issue of 40,00,000 Equity Shares of Rs. 10/- each for cash at par.

Issue Opens On June 19, 1989

SAKTHI SOYAS LIMITED
180, Race Course Road
Coimbatore 641 018

MANAGERS TO THE ISSUE

The Industrial Credit and Investment Corporation of India Limited
Merchant Banking Division
1 Cenotaph Road
Madras-600 018

CANBANK FINANCIAL SERVICES LTD
(A wholly owned subsidiary of CANARA BANK)
Specialised Annexe 770 A
Anna Salai Madras 600 002

Indian Overseas Bank
Merchant Banking Division
762 Anna Salai
Madras 600 002

SBI CAPITAL MARKETS LTD.
Shakthi Towers
766 Mount Road
Madras-600 002

REGISTRARS TO THE ISSUE

Tata Consultancy Services
12 Cathedral Road
Madras 600 086

Sakthi Soyas – The strength of Sakthi; the richness of soya.

Sobhagya-B/SS/89

PRICE WARRIORS



A low price strategy seems a sure-fire way of ensuring success. Nirma, Babool and Siva PCs have proved it. But, as many others have discovered, it is not so easy. The price warriors have to take care of a lot of angles before they can rule the market

Cut and thrust: that's their motto. Cut prices to the bare minimum and thrust into virgin territories which others considered too barren to approach. But the samurais of today are not so much the feted and fatted marketing whizkids of multinational subsidiaries. Rather, the latter are increasingly on the losing side, humbled by homegrown entrepreneurs such as Karsanbhai Patel of Nirma, Aspi Balsara of Balsara Hygiene, C. Sivasankaran of Sterling Computers and Shiv Nadar of HCL.

Balsara, for instance, has sparked off a flurry of activity in multinational Colgate-Palmolive with his introduction of a Rs 10 toothpaste — Babool. Nirma has bred in its wake a small army of me-toos with even Hindustan Lever falling in line. And Nadar and Sivasankaran have brought down the personal computer to the level of a personal purchase where a short while ago it was an investment only companies could afford to make. They are not alone. Slowly, price warriors are coming into their own and they are bringing a sea change in the marketplace along with them.

But they have brought a lot of confusion too. Canvass the marketing and advertising fraternity today and you will find opinions on pricing ranging from one end of the spectrum to the other.

Point: "Price-based business strategy is a definite trend in the Indian business scene today." (S. Ramachander, former visiting professor at the Indian Institute of Management, Ahmedabad.)

Counterpoint: "As a general and rather extreme statement, let me say that pricing is going to be increasingly less relevant in the marketing mix." (K. Ramnath, marketing manager, ITC.)

Point: "The future belongs to the manufacturers who price their product sensibly." (Sam Balsara, chief executive, Madison Advertising.)

Cut the cackle and you still have a whole wide range of views. With reason: for a long time pricing in the Indian context only meant how much snob value you could attach to a product to bloat its price tag. In a seller's market, everything sold.

But with liberalisation and competition things have changed. "You cannot fool the consumer today," says Sanjiv Chadha, account planning director at Hindustan Thompson Associates (HTA). "The manufacturer is thinking a lot before passing on increased costs to the consumer."

It wasn't always so. "The multinationals did not try and save money," says Ravi Gupta, boss of Trikaya-Grey. "To avoid labour troubles they paid fat salaries. And they just added it on to the cost of the product." Today, with the arrival of the Indian entrepreneurs who have also done their homework on the marketing front, many multinationals are in trouble. And more are likely to join the casualty list soon.



The writing on the wall is clear. While the current crop of price warriors are enjoying their hour on centrestage, their more anonymous predecessors have laid waste many an apparently impregnable citadel.

Peico Electronics and Electricals Ltd. (formerly Philips India), is today up to its neck in red ink. Why has a proud and profitable company come to such a pitiable pass? Rationalisation by company executives apart, there is one good reason: it was felt that the Philips label was enough. The price warriors did the rest. "Up to the sixties, Philips was ruling the roost in the radio world," says Shashi Dash, managing director of Polynova Industries. "Then in

1966-67, it outpriced itself."

The Philips model was then selling at about Rs 400. "Then the Bush Baron came in at Rs 210 along with the Ludhiana and Jalandhar brands," explains Dash. "The company did react, but too late."

The story was repeated in electric bulbs, and all the belated half-a-bulb campaigns to emphasise Philips' quality couldn't get it halfway home and dry. In the same arena, National Radio and Electronics Co. found itself manufacturing radio sets at a cost which was much more than the market could bear.

"Companies should protect their backsides," says Dash. "It is the responsibility of the market leader to cater to all segments of the market." Dash did exactly that during his long stint in the luggage industry. But his backside protection programme backfired. Successively calling the shots at both Blow Plast (manufacturers of the VIP range) and Universal Luggage (Aristocrat), he introduced a range of downmarket models such as Travelite, Champion, Bonus and Oscar. "We built up a whole new market," says Dash. "Bonus brought in the working class, people looking for a way to spend their *puja* bonus, and the Oscar coolie was aimed at train travellers."



PATEL IS A PRICE WARRIOR PAR EXCELLENCE

Expectedly, sales zoomed. But Dash resorted to giving extensive discounts too. "What's wrong with that?" he asks. "It is a practice the world over." Jal Engineer, who promoted both VIP and Aristocrat and who curiously sold them one after the other to Dilip Piramal, has the answer: "We went into the red. Dash reduced margins so much there was no way we could survive."

Both VIP and Aristocrat are surviving all right now that the price wars have been called off. (The discount approach, however, has not yet been discounted.) But Dash, who maintains that Aristocrat was in fine fettle with a Rs 4 crore profit to boot when he left, has regrets: "They have gone upmarket again; the Delhi*wallahs* are back in business."

The Delhi*wallahs*, the ubiquitous producers of look alikes and me-toos, are actually a permanent part of the Indian scenario. In their ranks they harbour many a would-be Nirma but, unfortunately, their vision does not extend to making a national splash.

But they have been biting away at the edges of many markets much to the dismay of those defending the citadels. The classic story is in the match industry where Wimco has been sent reeling by the scores of cottage units in and around Sivakasi. Wimco's market share, once 85%, is now down to less than 20% and its bottomline is a bright scarlet. With its overheads, it could not compete on price and matchsticks are fast descending into the commodity market. "We could see the situation developing but we did not react in time," explains Wimco chairman Akbar Hydari.

The Rip Van Winkle approach to problems apart, the Wimco instance highlights one of the reasons why pricing has not been so important in the Indian context. The company was driven to the wall almost overnight because of a lopsided excise structure imposed by the Charan Singh government. "In India you cannot have a long-term gameplan of pricing strategies," says Arjun Malhotra, vice-chairman of HCL. "There is no continuity or stability in government policies on customs and excise duties."

A FINE ART

HCL, which has honed price cutting to a fine art, should know. Currently, however, its strategy to further reduce the price of its personal computer to Rs 15,000 has come a cropper because of customs hikes in the 1989 budget. Earlier, it had done so quite

Every rule is supposed to have an exception. That, goes the adage, is what proves it. In a low price strategy (or value-for-money, as it is euphemistically termed), there are so many exceptions that the rules themselves float in limbo. There is, however, a general consensus on some issues which, despite the devil's advocates, seems to hold good in the Indian context.

1 Opt for consumer non-durables.

When a product is cheap, people are willing to give it a try; but it makes a difference what 'cheap' means. "A housewife wouldn't mind experimenting with a new brand of tea which costs less," says Pranesh Mishra of Pathfinders. "When it comes to a high-value item like a colour TV, she would rather pay Rs 1,000 more to be sure of quality."

Actually, it is rather axiomatic. A low price strategy succeeds because of high sales volumes. A colour TV or an air-conditioner by their very nature cannot command very high sales while the Babools and the Nirmas can.

2 Don't burn your fingers in high involvement categories.

A high involvement product (HIP) generally commands a high degree of brand loyalty. It will take a lot of selling to get a woman to change her brand of sanitary napkin, as Christine Hoden has discovered in its low price gambit against Johnson & Johnson. Similarly, in babyfood, manufacturers off and on get out their rusty sabres to do some rattling on the price front. "It doesn't work," says Shashi Dash of Polynova Industries. "Mothers are too bothered about their baby's health to be tempted by price considerations."

In low involvement products (LIPs), on the other hand, brands don't really count for much. A flashy entry in, say, biscuits can bag a big market. In sum, LIPs are a more succulent prospect than HIPs.

GROUND RULES FOR PRICE WARRIORS



SAM BALSARA SEES MEGABRANDS AHEAD

3 **Forget about LIPs and HIPs if you are extending the market.**

Toothpaste is another product which has a high brand loyalty. So Babool should have failed?

"No," says S.A. Swamy of Balsara Hygiene Products. "Babool is cheaper than some brands of toothpowder. So we are not looking at the toothpaste market alone, we expect to capture some of the powder segment too."

4 **If you don't have the staying power, don't venture.**

A low-price product operates on wafer-thin margins. But it simultaneously needs an advertising splurge to get it moving to reach the required high volumes. So the first two years will undoubtedly be spent in the red. "How many people have the resources of a Hindustan Lever to subsidise Wheel?" asks Dash.

5 **If the price difference isn't much, don't cut price, up quality.**

In the Indian distribution scenario, the retailer very often calls the shots. The 'maximum retail price' tag on packaged items is just a statutory obligation which doesn't count for much. In Bombay, many street stalls sell all soft drinks for Rs 3.50 even though the official retail price of brands like Duke's Mangola is 50 paise less. The solution: offer more for the same price. Duke's lemonade, for instance, comes in a 300 ml bottle. "More value for the same money," says D.F. Pandole of Dukes & Sons. In Delhi, Thums Up is being marketed in a 300 ml bottle styled Maha Cola. In the only market in which Campa Cola has the lead, what better way for Thums Up to threaten the leader.

A better gambit, however, is not to fiddle with quantity but quality. This is what Lever's Wheel is trying now, apparently with some success.

6 **If you can't pare price, try the pack.**

In the vast rural market, money-in-hand is often a prime criterion. "Our research has shown us that people there have a weekly payment cycle," says Pranesh Mishra. "They buy even Nirma loose because they don't have the money to buy a full packet. Smaller pack sizes have great potential."

This is not restricted to rural areas alone. Currently, shampoo sachets are going great guns and Colgate has even been experimenting with a toothpaste sachet. It is interesting to note that among branded products which have a countrywide distribution are tea, cigarettes and matches — all of which have low unit pricing.

7 **Remember that price alone will not sell.**

"There are hundreds of Nirmas around in various product categories," says Sam Balsara of Madison Advertising. "They are unheard of because they haven't got their marketing mix right."

Getting things right also depends on knowing where you are going. A low price strategy could be to penetrate new markets, build up market share, knock out competition or merely get rid of stocks. But unless the objective is clearly defined, it is only too easy to get derailed somewhere along the line.

8 **Finally, know the mathematics.**

Cutting price is all very fine, but it needs a lot of sales to keep profits at the same level. It is a simple mathematical exercise but most people seem unaware of it. The accompanying table sets out what it takes. If, for instance, the current gross profit is 5% of sales, it will take 400% more sales to earn the same gross profit after a 4% price cut. The intersection of the price cut row and the current gross profit column gives the percentage increase in unit sales required to maintain the same absolute gross profit as before the price cut. As is evident, when the profit margin is low, it will take a massive sales increase to make up for even a small price cut.

PERCENTAGE SALES INCREASE NEEDED TO EARN THE SAME GROSS PROFIT AS BEFORE A PRICE CUT

Expected price cut (%)	Current gross profit (%)						
	5	10	15	20	25	30	35
1	25.0	11.1	7.1	5.3	4.2	3.4	2.9
2	66.6	25.0	15.4	11.1	8.7	7.1	6.1
3	150.0	42.8	25.0	17.6	13.6	11.1	9.4
4	400.0	66.6	36.4	25.0	19.0	15.4	12.9
5	—	100.0	50.0	33.3	25.0	20.0	16.7
6	—	150.0	66.7	42.9	31.6	25.0	20.7
7	—	233.3	87.5	53.8	38.9	30.4	25.0
8	—	400.0	114.3	66.7	47.1	36.4	29.6
9	—	1000.0	150.0	81.8	56.3	42.9	34.6
10	—	—	200.0	100.0	66.7	50.0	40.0

SIEMENS

Fair Exchange



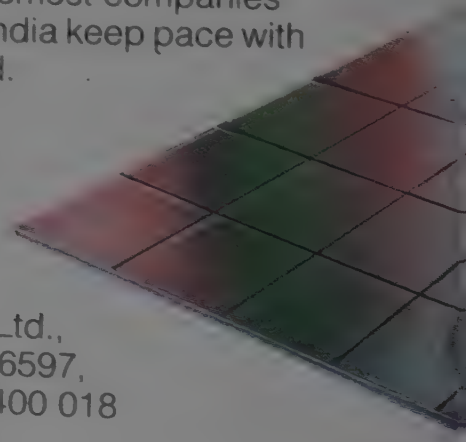
In today's fast-paced world of data communications, an ideal transport system for value-added services and linkages of all types of terminals and computers is called for. Siemens' unique packet switching technology provides a much-needed solution. It exploits existing line capacity by a uniformly high transmission rate and simultaneous shared use of the lines by a large number of subscribers. With text and data being exchanged at high-speed around the world, the lines of communication opened up by packet switching go to show that when it comes to using technology for human needs, Siemens, once again, has the last word.

The teleprinter T 1200 SD



High technology with a human face. Whether it is control and automation systems or railway signalling equipment, medical electronics, switchgear, switchboards, drives, motors or new dimensions in telecommunications, Siemens focusses technology on human problems, human needs. Its close association with Siemens AG, W. Germany, helps keep Siemens in India in the frontline of international technology. With 120 years of experience in the country, Siemens is committed to India's progress and shares its hopes for the future.

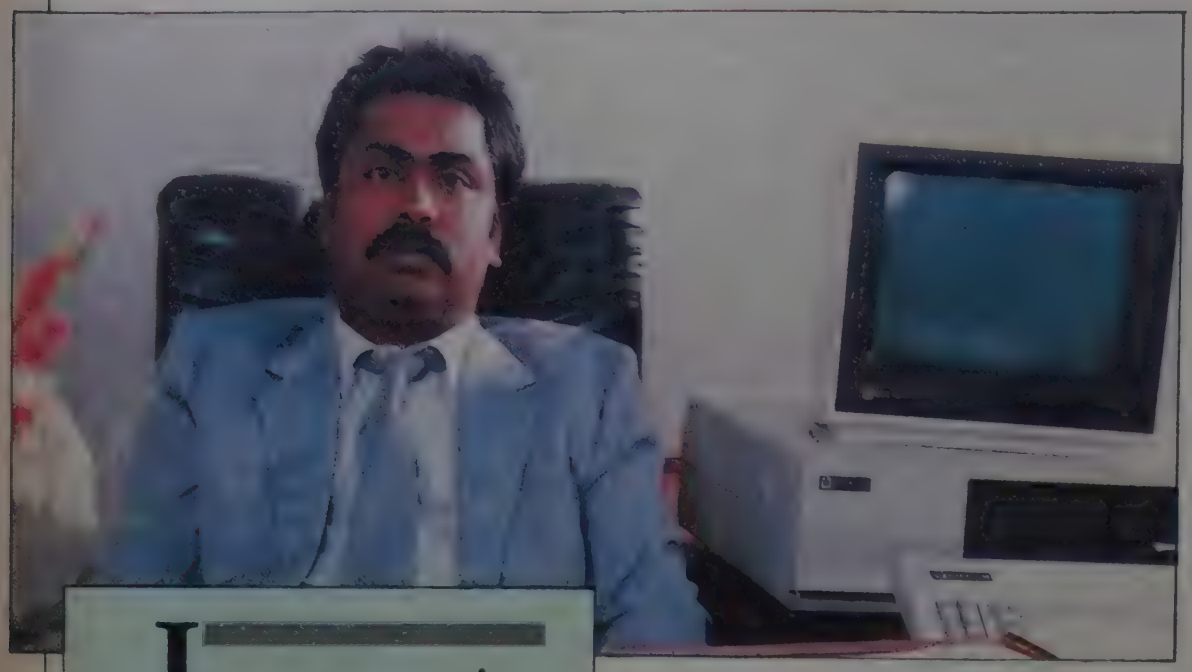
As technology changes the face of the future, Siemens will be one of the foremost companies helping India keep pace with the world.



Siemens Ltd.,
P.O. Box 6597,
Bombay 400 018

Siemens. Where international technology meets human needs.





> **I am able to bring down my prices because of technological improvements and I am able to bring them down fast**
>
> C. Sivasankaran
> *director*
> *Sterling Electronics*

successfully. The first was when it was a newcomer to the PC market. HCL dropped its price to Rs 50,000 from the prevailing Rs 1 lakh. "It was a market penetration strategy," says Malhotra. "And we were able to create new markets."

The second round of the PC price wars came when HCL went on a market share hunt. Prices were slashed to Rs 20,000. Sales zoomed again. "The question was: do we want increased volumes or high profits?" says Malhotra. "I admit that reducing prices has been a gamble. However, both the times it paid off."

Paid off it did in terms of sales and, perhaps, profits. But as far as market share goes in the PC arena, the pride of place goes to C. Sivasankaran, the man behind Sterling Electronics, the manufacturer of Siva PCs.

Siva PCs have consistently been the cheapest in the organised sector of the business and Sivasankaran has proved that price counts even in a product where the unit price is Rs 20,000 plus: according to *The Economic Times*, Sterling alone among the PC majors upped its market share in 1988 over 1987 from 4.73% to 7.06%. (Sivasankaran claims that it is currently 15%). All the other manufacturers experienced a drop in market share.

Sivasankaran, however, does not consider himself a price warrior as such. He feels it is more the technology than the pricing strategy which contributed to Siva's success. "When I entered the business I did not begin by cutting price," he says. "It's just that the other computers were overpriced." But price did help and Sterling has evidently taken a page out of Texas Instruments' book: the latter company always starts off by pricing a product low and then cutting prices further because of economies of scale and technological advances.

Sterling also seems to have realised that the true price warrior must be the lowest cost producer. "I am able to bring down my prices because of technological improvements and I am able to bring them down fast," says Sivasankaran. "Sterling is one company which does not pay fancy salaries nor does it maintain fancy offices." Given the price, Siva PCs don't have to be sold: they are bought.

This, perhaps, is the reason why Siva gets away with giving a dealer margin of merely 10% compared to the 40% some of its competitors have to fork out. And, in the end, it all goes to further reduce the price tag. On the anvil now is another array of products all priced at rock bottom levels. Small wonder that Sterling has upped its turnover from Rs 1.85 crores in 1985-86 to Rs 85 crores in 1988-89.

DASH THINKS IT'S A DUTY TO GO DOWNMARKET



A REPEAT?

Siva is in many ways a repeat of the Nirma story. Karsanbhai Patel's rise to the big league is the stuff that case studies are made off. Much of it is history but the point to be noted is that Nirma is the largest selling detergent brand in the world today mainly because of its price. It currently commands 62% of the Indian detergent powder market and, despite the many challengers, its share has been growing over the years.

Of course, Nirma had other things going for it. "Nirma had its marketing package ready," says Balsara of Madison. "That's what made it a mega-success."

Whatever money Nirma got in the early years was put back into advertising," says Dash of Polynova. But Patel himself discounts the media hoopla. "My success is because of (providing) the proper quality at the proper price and low margins," he told *BusinessWorld* some time back (see *BW* 20 July-2 August 1988, p.44). "Advertising just tells the people that a product is available. If ads alone can sell a product, why should Hindustan Lever worry? They are heavy advertisers."

Others, while not discounting the advertising, put Nirma's success down to the fact that it was excellent value for money. "People don't expect Surf quality at half the price," says Enterprise ad agency's chairman Mohammed Khan. "If they are getting more than half the quality they will buy it."

Nirma also had a windfall of sorts. It is widely believed that Levers itself footed the bill for part of Nirma's advertising expenses. (An out of court settlement on some of Levers' suspect marketing practices is supposed to

have left Patel much plumper in the pocket.)

"Besides, Surf is a classic example of how a multinational slept for years," says Khan. "It could be a case of marketing myopia," intones Sashi Dash. Not necessarily. Levers actually had a couple of low price brands (Wheel included) loitering around test markets for more than a decade. Unfortunately, it never took the plunge.

This is somewhat curious really because going downmarket is not as much a break from the Levers tradition as it might superficially seem. In popular soaps, for instance, the company commands more than a lion's share: its brand Lifebouy has an 88% market share with Tomco's OK a humble second with 11%. Price-



ASPI BALSARA IS RIDING HIGH ON BABOOL

cutting too has been part of its arsenal. While Rin was test marketed in 1969 and went national in 1971, it really took off only after its relaunch in 1975 which was accompanied by a 7% price cut.

But while Levers has been trying a subdued sortie or two occasionally, it has actually just woken up: it has launched Wheel in the same price bracket as Nirma and, claims the company, "dramatic growth established the brand most powerfully and severely challenged the dominance of the market leader." Wheel has picked up a 10% share but Nirma keeps growing. Patel is, thus, unfazed. "Consumers may be moving from Surf to Sunlight (a medium price Levers brand) to Wheel," says he.

Going by sales figures, however, that is obviously not true. What has happened, and that is where the price warrior comes in, is that a whole new market has been opened up. "It's the classical pyramid structure of the market," says Pranesh Mishra, general manager of Pathfinders, the market research arm of Lintas. "The lower you price your product, the more the

BOG OFFERS

The National Institute of Information Technology (NIIT) is offering a free PC to anyone who buys two copies of its software priced at Rs 30,000. PC manufacturers, meanwhile, are offering the software free with a PC purchase.

Gold Cafe coffee is offering cups and cassettes free. Rival Rich Cafe has gone one better with bulbs and lipsticks. Even clear market leader Rasna has stooped to giving odd geegaws with its wares.

All these free gifts may not really amount to any saving for the consumer but it does mean that the manufacturer is, in some manner, cutting prices. Or, at least, he is adding to his costs.

Does it work? Many agree that it makes some sense at the launch stage when an added inducement may inspire purchase. But in the longer term it is strictly a no-no. "It gives your brand a discounted image which is not healthy in the long run," says Sanjiv Chadha of HTA. According to N. Thiruvambalam, product manager at Hindustan Milkfood Manufacturers, such schemes are essential to promotion strategies but they should not be unending.

But what happens when you end them? Sam Balsara of Madison Advertising points to the example of Sway detergent powder which was doling out a free bucket with every pack. "When the offer was withdrawn, Sway kicked the bucket," he says.

Today, as more and more products rely on such promotions to make a splash, it has becoming increasingly necessary to know where exactly to draw the line. Otherwise, like Kothari's Ju-C, a soft drink concentrate, they might well end up being offered two for the price of one.

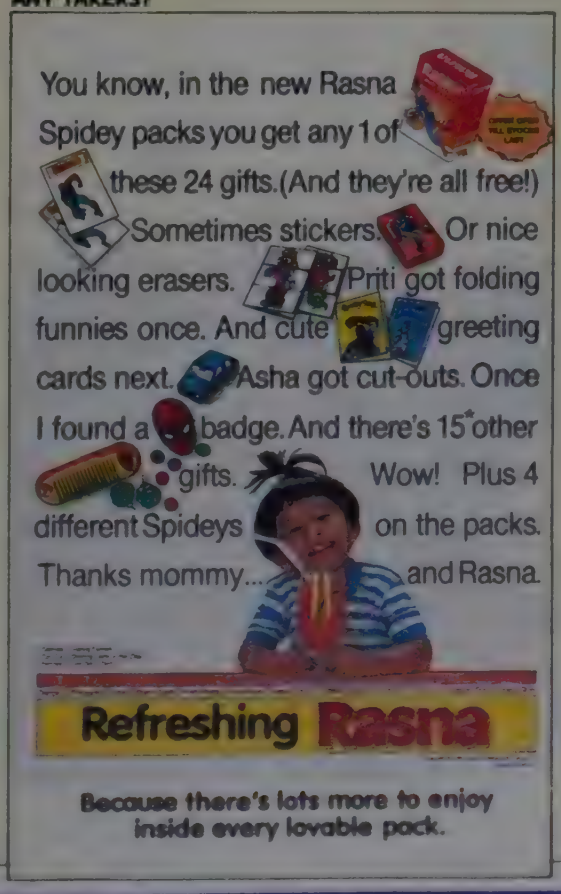
Indirect way. The other indirect way of cutting prices is to increase dealer margins. In fast-moving items, the margins are anyway very low so there is little scope for any significant paring. This is also largely true of most consumer non-durables. In durables, however, where the margins could be as much as 50%, a cut should theoretically mean that the dealer will be more enthused to push your product.

But there are doubts aplenty over whether it works. "When I went shopping for a mixer, there were various unheard of brands being forced upon me," says Ravi Gupta of Trikaya-Grey. "This happened in shop after shop. But eventually I bought the brand I had set out to buy even though the others were much cheaper."

There is another angle to it: are the discounts really passed on to the customer especially when everyone is in the game? Shashi Dash of Polynova thinks it is. "See what happened in the luggage industry," he says. Others opine differently."Giving discounts means that you are making the dealer the king," says Balsara. "Do that and he will hold you to ransom. Ultimately, it is better to go in for a push strategy rather than pull."

Push or pull, discount or gift,one thing seems to be clear from the experience of most successful price warriors — the ultimate consumer benefit is a low price. What could you tag on to a Nirma which would make it a better bargain?

ANY TAKERS?



market expands." At the top of the pyramid there are the people with small volumes and premium prices. At the bottom are the mass marketers with massive sales and low margins. Quaintly, in a sense, those at the bottom are actually sitting on the top of the pile.

Patel's much publicised position at the top seems to have made the detergent market a happy hunting ground for prospective price warriors. Among recent entrants are Lock Out (a detergent being marketed by the employees of Levers' Sewree plant, currently under lockout) and Sasa (an offering from Shri Mahila Griha Udyog Lijjat Papad). Sasa is even cheaper than Nirma and, according to Udyog president Rukminiben Pawar, "the quality of Sasa is better. It is bound to succeed."

VIGIL STRATEGY

Pawar could be making a mistake very common with me-toos. A cheaper product will not necessarily sell if the price difference is marginal. "It would be a better strategy to price it the same and emphasise the quality," says Dash. That's very akin to what Vigil (a Godrej toilet soap) did, and scored a stunning success. "Vigil was a premium soap at a popular price," says Khan of Enterprise. "At Rs 3 per cake, it was the first premium soap to break the Rs 4 barrier. It made Godrej the biggest in the premium segment. After that everybody followed like sheep."

There is currently a replay of the Vigil technique in the TV arena. Newcomer Videocon has scored quite a success (it claims a 13% share) and caused some controversy too (see



MALHOTRA CUT PRICES AND WAS LUCKY — TWICE

Economy & Business). Behind its sales is the same gambit: it has retained its premium image while actually pricing its model at the bottom end.

Videocon, like Vigil, has made a splash. But there was a lot more to the Vigil strategy. It made ends meet because it was a 75 gm cake as against the normal 100 gm. On a per gram basis it was not cheaper but consumers perceived it to be so.

"What matters is not the actual value but the perceived value," says Khan. But that raises a big question: is the consumer being taken for a ride? The Monopolies & Restrictive Trade Practices Commission (MRTPC) does not fully endorse this view. While it has yet to pass judgement on some cases, the 450 gm Maggi ketchup bottle of Food Specialities Ltd. (FSL) has been given the go-ahead. FSL was hauled up before the MRTPC because rival brands like Kissan were using 500 gm bottles. It was claimed that the consumer, who did not read the fine print, could have been conned into believing that both contained the same quantity.

FSL's stand was that its market research had proved that the average family consumption of ketchup was 450 gm a month. Thus its bottle was the ideal size. The MRTPC bought the argument and FSL's position has since been reinforced by the launch of All Seasons Foods' tomato ketchup, which too is in a 450 gm bottle.

All Seasons, which at Rs 12.75 is significantly cheaper than rivals, is a price warrior in the making. "Our sale of tomato ketchup alone was Rs 3.5 crores last year (ended March 1989)," says R. Achrekar of the All Seasons marketing team. "We have captured a market share of about 25%." The fact that All Seasons has indeed made some headway is evident from the desperate rearguard action of oldtimer Kissan: its latest gambit is a Rs 1.50 off offer.

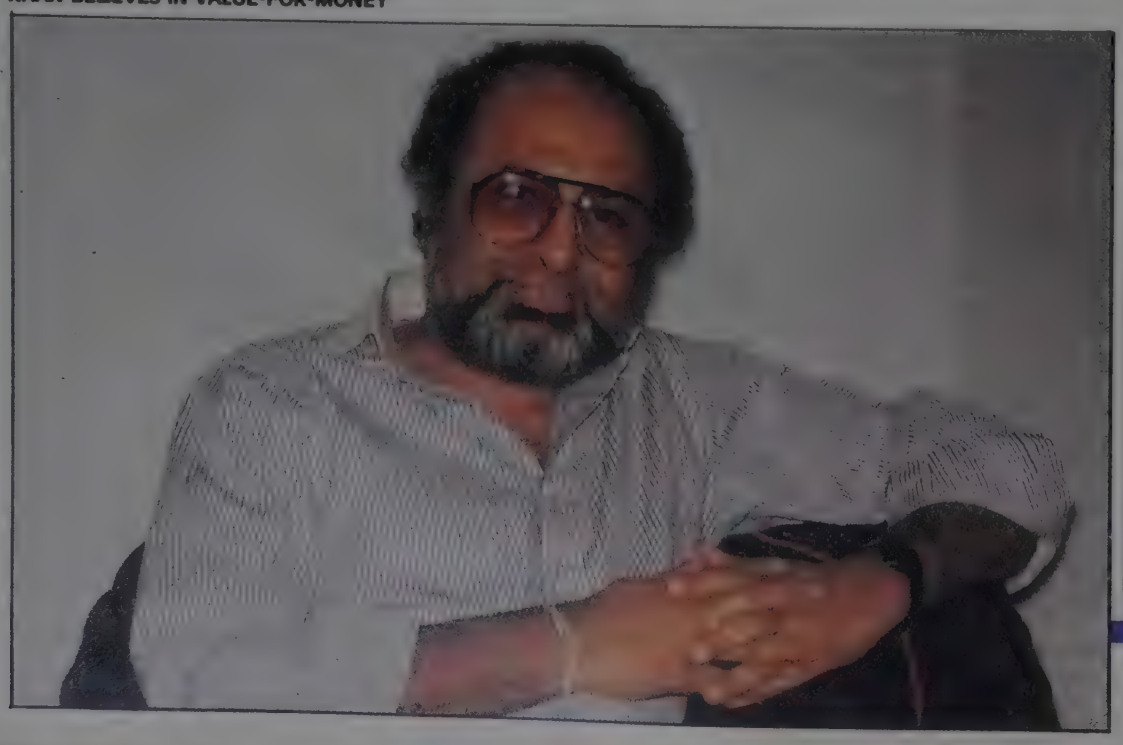
The money-off offer is a sort of knee-jerk reaction from competitors who are too jaded to take either preventive or offensive action. In its ultimate form it becomes a bog offer — two for the price of one. Such a fate, however, is generally the lot of new entrants who have got their pricing strategy all confused. Witness for instance Ju-C, a Kothari General Foods product. Ju-C's stablemate Tang is another such example. "It was a classic case of wrong pricing," says Chadha of HTA (quoted earlier). "The price set was much too high. The manufacturers were planning to cash in on the foreign brand image of Tang but it boomeranged."

LOVEABLE PRICE

By contrast the product that Ju-C was pitted against (Rasna) has been growing in leaps and bounds. There is more to its success than just the pricing strategy, but the "loveable price" the Rasna ads claim it to cost (it started at 25 paise a glass) certainly went a long way in ensuring success. "Of course, the low price helped," says Gupta of Trikaya-Grey.

Rasna was in a new product category, so its success need not merit as much accolade as someone who has taken on the establishment and won. Enter Aspi Balsara, chairman of Balsara Hygiene Products Ltd., who has sent shock waves down multinational Colgate-Palmolive's spine not once but twice (see *BW* 12-25 April, p.90). Currently going great guns with his

KHAN BELIEVES IN VALUE-FOR-MONEY



Babool toothpaste, Balsara's philosophy is simple: "The future is for mass market products for the basic Indian consumer."

Balsara marketing controller S.A. Swamy seems to echo Karsanbhai when he says: "We are creating a totally new market. Our product is so priced that it works out not much costlier than the traditional *datun* (neem stick)."

Balsara's experience with Babool brings out a point that every price warrior should keep in mind. Soon after its launch, Colgate took it to court and got a partial stay order on its sales. "We spent Rs 1 crore on the launch," says Swamy. "We have to spend another Rs 1 crore on the relaunch." The lesson: in attacking a market where competition is well-entrenched and aggressive, be prepared for unexpected expenses. "Unless you back the product fully, you will not get anywhere," says Mishra of Pathfinders.

Colgate's response is, in some ways, reminiscent of Levers' reaction to the Nirma threat. Although the grapevine has it that Colgate too is planning a low-price toothpaste, the only concrete move since the Babool launch is the test marketing of an even more upmarket market brand — a tartar-controlled toothpaste which will cost twice as much as the normal Colgate.

But that is a trend the multinationals and big companies are increasingly displaying. When competitors are baying at your heels, move further upmarket. There is, of course, a lot to be said for such a strategy and the MNCs are price warriors of a different kidney (see box p.67). "But it leaves open a vast market for the Indian entrepreneur," says Jatinder Sethi, chief of Artig Advertising. "And he will take full advantage of it."

Not always. There are scores of examples of people who have tried and failed. Keltron once had a plan to launch cheap digital watches. Originally they were supposed to cost Rs 25. Later on the price was pegged at Rs 75. To date, the watches have yet to make their presence felt. Likewise, a Delhi-based outfit, Purewal, found its cheap watch plan come to naught. And all the while smuggled digital watches selling at Rs 35 apiece are doing roaring business.

Another market that obviously exists — but where no one seems to be making a concerted effort to capture it — is in shirts. Everybody is going high-price. Stencil Apparels, which is hawking its Cambridge brand through Bata retail outlets at Rs 110 plus a shirt, may be an exception. But it is still far-removed from the unbranded variety which is available for as little as Rs 35.

New entrants have a choice: they need not take the risk of failure. Some established companies are, however, being forced into price cutting strategies for reasons of sheer survival. Assailed by pirates, Gramophone Co. of India has now launched its popular cassettes in the Rs 16-18 range. The bulk of the cassettes are sold in the days following the release of the film before the pirates can get into the act. "The volumes being high, the company can afford to sell at such low prices," says a key figure in the company who prefers anonymity. "It's a knife-edge marketing strategy, but it seems to be working."

The audio-cassette industry tactics are being replayed in the pre-recorded video cassette industry. The *Shahensnah* instance is an eye-opener. Before the movie was released, Garware was selling the cassette for Rs 300. As soon as Amitabh Bachchan filled the big screen at the

IS PRICE THE KEY?

In some ways, it is back to square one. A few generations ago barter was the most common mode of trade. Today, after being consigned to history for a few decades, it is back with a bang in a new incarnation — countertrade.

The price element in the marketing mix has also seen a similar recent revival. Till the fifties, price was king — it was considered one of the most important influences on buyer behaviour and consumer choice.

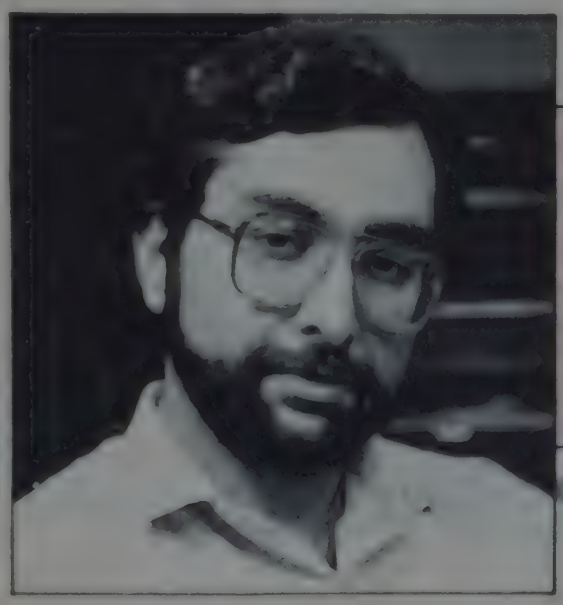
The next two decades, however, saw the arrival of the marketing man with his bag of various other tricks. Overnight, positioning became the prevalent *mantra*.

With reason, of course. In an earlier era, there was little or no product differentiation, branding or advertising in many industries. The only variable, thus, was price. Boosting its importance further was the fact that the per capita income in most parts of the world was very low.

Yo-yoing trend. Increased per capita incomes, and intense, electrifying efforts to differentiate products led to the decline in the importance of price. Other components of the marketing mix gained ascendancy. In 1964, an oft-quoted survey of 200 companies by US consultant J.G. Udell revealed that over 50% did not consider price as one of the five most important areas contributing to marketing success.

But price, the only component of the marketing mix that brings in revenue (the others all add to costs), could not play gooseberry girl for too long. With increasing costs and worldwide inflation, it was back in the driver's seat. In 1975, a study by Robert Robicheaux found that pricing was again regarded as the most important marketing variable.

In India, where marketing theories are often imported and are a decade out of date, there is understandably a lot of confusion on the subject of pricing. But, given the fact that marketing itself is largely a matter of taking potshots in an area of darkness, that should not be too surprising.



You cannot fool the consumer today.
Sanjiv Chadha
account planning director, Hindustan Thompson Associates



first show, the price was dropped to Rs 110. Deprived of their margins, the pirates were left twiddling their thumbs.

Even in industries where pirates are not the problem, overcapacity and competition may be. Kinetic Honda launched its two-wheeler with much fanfare. The model seemed just what the doctor ordered but, then, doctors in India prefer cars. Very soon the company had to slash prices by 25%.

Even market leader Bajaj Auto has had to resort to similar gambits. When its upmarket Bajaj Kawasaki was launched, it bombed. The company's brain's trust went into a huddle and soon emerged with a revamped model — the Bajaj Kawasaki RTZ 100. The new vehicle was Rs 2,500 to Rs 4,000 cheaper than competitors'. To this were tagged easy instalment schemes to finance buyers. Understandably, the sales graph took off.

PENETRATION PRICING

According to industry observers, however, the gambit cost the company about of Rs 3,000 per vehicle. But the penetration pricing strategy worked: the Kawasaki is now third in its category and growing at twice the rate of its competitors. The price, expectedly, is going back to its high level.

Penetration pricing is an easy way to ensure success. The problem is that after the low price has induced trial purchase, quality must ensure loyalty when the price is subsequently raised. "A lot of companies resort to reducing prices even to the extent of incurring cash losses," says T.S. Ramakrishnan, general manager (marketing) of Modi Xerox. "Modi Xerox took a deliberate decision to take a loss for the first two years. This was the period of building up the service infrastructure."

Modi Xerox had actually made its debut with an expensive model which did not click. But it soon launched a cheaper version and now commands a healthy 40% of the market.

That's now under threat from a concerted campaign by HCL, which is battling on the price front. HCL ads, which have been swamping the media, claim that its machines not only offer more facilities but also that, on a per copy basis, they work out much cheaper than Modi Xerox. While claims, counterclaims and cries of foul are being heard from all over, the ploy seems to have worked. "We have had sales of Rs 15 crores in three months since the ad campaign started," says Arun Dang, HCL marketing manager.

HCL is, in many ways, copying the strategies it employed in the PC price war. A far more difficult job, however, faces the price warrior who is introducing a new concept. In two-wheelers, for instance, there has long been a yawning price gap between bicycles and mopeds. It's another case of marketing myopia: manufacturers of both the items refused to define themselves as being in the two-wheeler business. Bicycles and mopeds were, after all, watertight compartments.

No longer: this industry could see the emergence of a major price warrior if Enfield India's plans work out. It has just launched a 22 cc bike — the Mofa. "We are opening up a new market segment altogether," explains joint managing director S. Lakshman. "Price is thus a key element."

Lakshman expects a minimum sale of 1 lakh machines a year. "But the potential could be one million a year. We can expand our capacity," he says. At that level, it could be Nirma revisited.

Enfield has also taken precautions

The multinationals did not try and save money ... they just added it on to the cost of the product

Ravi Gupta

managing director, Trikaya-Grey



The lower you price your product, the more the market expands

Pranesh Mishra

general manager, Pathfinders

which all price warriors should. It has priced the Mofa at Rs 3,000, a figure competitors will find hard to undercut if the concept clicks. "We've kept our prices so low that other manufacturers will think twice before coming into this segment," says Lakshman. Besides, by that time Enfield should have achieved the economies of scale which will enable it to price the Mofa even lower.

Keeping prices, and thus costs, low is the key to being a successful price warrior. Much has been said about the Malhotras' dirty tricks brigade and how it has decimated competition in blades over the years. But one of the little acknowledged reasons for the group's monopoly over the blades market is that it has created an almost insuperable barrier to entry: its profit margin is a scant 0.3 paise per blade, disgustingly low for any newcomer to countenance.

But that works only when high volumes have been built up and low margins no longer mean low overall profits. Hero Cycles is today the world's largest manufacturer of cycles. It has consistently maintained a low price and claims that while raw material costs have gone up by 16 to 20 times over the years, the price of the bicycle has only increased four times. It has done this through careful inventory control, technological up-

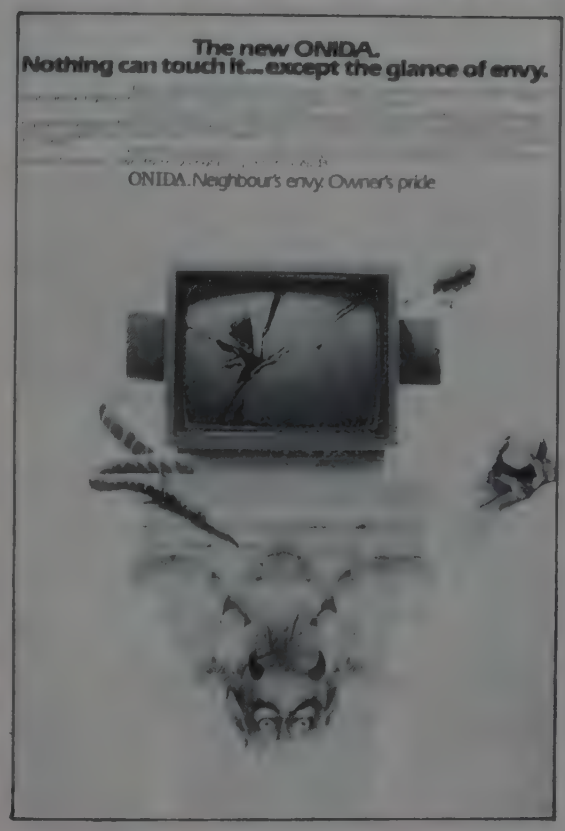
UPMARKET WARRIORS

Perhaps it is the fear of acquiring a cheap image, perhaps it is the fact that the overheads just do not allow it, perhaps it is a deficiency in the marketing armoury, or perhaps it is simply Theodore Levitt's marketing myopia. But, increasingly, companies are deserting the mass market for niches at the top. Onida TV proved that a premium price can be a selling point. And others quickly latched on. When Nelco introduced its Blue Diamond TV, it deliberately pegged the price Rs 200 higher than Onida. Cenza TV has gone one better: its ad campaign is based on its price, the selling slogan being "The most expensive TV money can buy."

Many manufacturers make a virtue out of a high price because of two elements in the Indian psyche. First, price is associated with quality. When it comes to making a substantial outlay (as, say, on a consumer durable), many would rather pay more as a guarantee that the product lasts longer. "In India, when we buy a car or a refrigerator, it is for a lifetime," says Ravi Gupta of Trikaya-Grey. "It makes more sense to buy the best you can afford."

Secondly, as the Onida campaign (Neighbour's envy, owner's pride) clearly brings out, there is a certain snob value in buying the most expensive model going. (It does not matter much that it may not be the best.)

Besides, margins are always higher at the top; one does not need volumes to make profits. The margins can be as high as 100% because, as many people have discovered, there are buyers at any price.



SNOB VALUE

The result is that there is a lemming-like rush for the top. In premium soaps there was a whole army of entries some time back led by Pond's Dreamflower. Today, most of them have gone down the drain.

Substantial market. In shirts, recent times have seen the arrival of Zodiac, Louise Philippe (courtesy Madura Coats), Bombay Dyeing, Park Avenue and many others. Louise Phillipe even comes with a replacement guarantee (a gambit so far restricted to durables only). And they are all confident of success. Said Madura Coats' managing director W.T.Drummond at the time of the launch: "We know that there is a substantial market out there even at this price. People want quality and they are prepared to pay for it." (The price tag, incidentally, is Rs 300 for starters.)

And there are many others. Raymond Weil is trying to flog watches which are priced at more than Rs 20,000 apiece. Bata has its upmarket Power and Marie Claire ranges. Carona, with its new tieup with Puma, is launching similar brands. Says Carona chairman Dilip Khatau: "If smuggled brands can sell at that price, we are sure we can."

Even in products that don't cost as much, there are many who are aiming at only the icing on the cake. Wimco has introduced its Homelites which are priced at 50 paise per matchbox against the normal 25 paise. And Flury's has gone in for an upmarket tea.

Many of these products are slated for the garbage dump. But the ones that succeed will rake in enough moolah to compensate for a dozen failures. The advantage, of course, is that the cost of failure is much lower. With low volumes there need not be the investments in plant and machinery that a mass market product requires. Eventually, one can always write off the advertising expenses; there won't be an albatross of a factory, as happened in Hindustan Cocoa Product Ltd.'s Appela launch, to also get rid of.

For the price warriors who are unwilling to put their money where their mouth is, there is, therefore, the option to try and roost precariously at the top. Once in a while they may succeed in hatching a golden goose but, more often than not, they are left with egg all over the face.

gradations and paring of costs wherever possible. Today, erstwhile majors like Sen-Raleigh are in the doghouse but, thanks to its volumes, Hero is virtually unassailable.

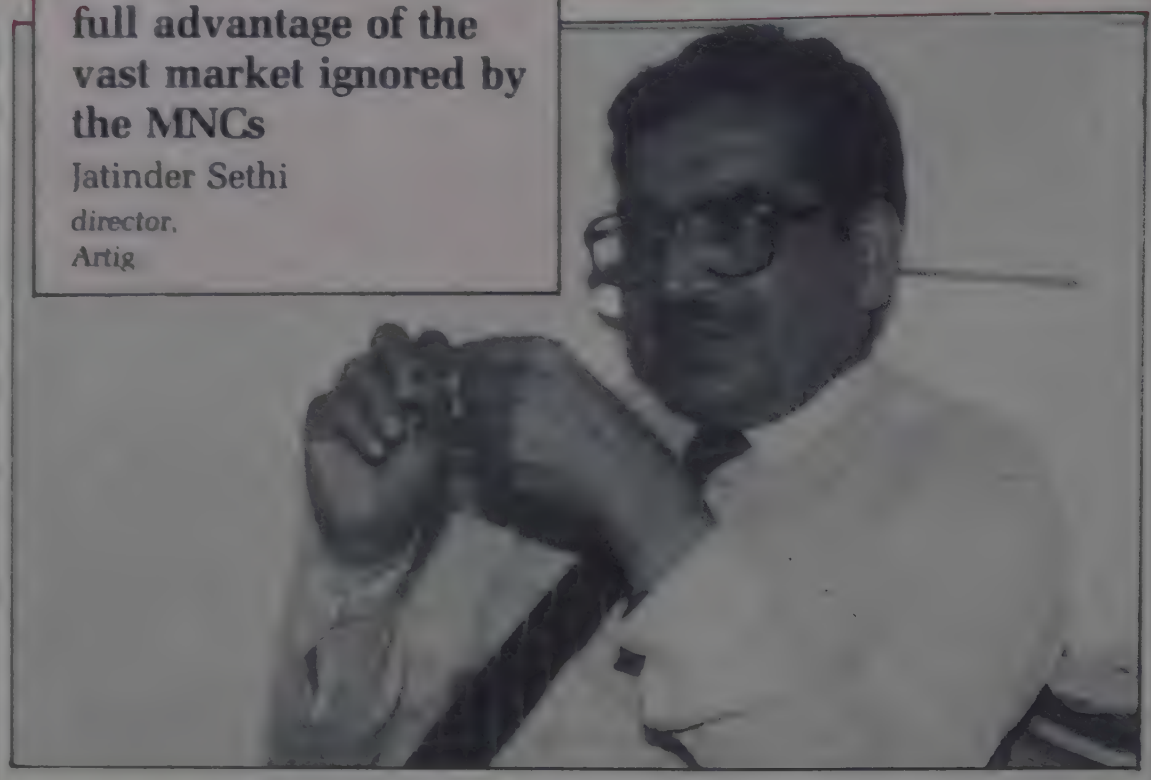
The old guard in the low price arena may be relatively safe, but the same is not true of the new contenders. " The problem with a low price strategy is that the business is vulnerable if the competition adopts a similar strategy," says S. Ramachander (quoted earlier). Photophone Industries has discovered it. The company which launched the easy-to-use Hot Shot camera in India, and sparked off a veritable revolution in the industry, is now in the red. Its total monopoly in the market is a thing of the past and its share is gradually being whittled away by successful me-toos such as the Snapper.

The me-too, however, is not the major adversary is some industries. The key culprit quaintly is the government. In the cigarette industry, very successful brands such as Style have had to be cast adrift because of sudden changes in the government's excise structure. Charms, that phenomenal success of pricing strategy, nearly fell victim too. At Rs 2 for 10, it was, says Khan of Enterprise, "fantastic value for money." When the price went up, it could well have gone up in smoke but for the brand image which the overall marketing mix had created.

Currently, VST Industries, the manufacturer of Charms, is trying a similar pricing gambit with its Gold Fine Cut. In an appealing pack at Rs 4 for 10, it is value for money in its category. But the brand has been let down by advertising which, weeks after its official launch, was practically invisible. Eventually, of course, price alone can't sell; the rest of the marketing mix must be roped in.

The Indian entrepreneur will take full advantage of the vast market ignored by the MNCs

Jatinder Sethi
director,
Artig



But the Gold Fine Cuts and their ilk are all very necessary, for yesterday's superhits are unlikely to rule supreme much longer. The product life cycle is getting shorter so newer successes must perforce grace the stage. "And the future belongs to sensible pricing," says Balsara of Madison. "There will be increasing success stories in new segments. If all the elements of the marketing mix are right, the proper price will make it a mega brand." But where are they? Why is it that the Nirmas can be counted on the finger tips? "Everybody sees the market," says Khan of Enterprise. "Nobody's blind. But how do you get there?"

Getting there could be quite difficult for the multinationals (MNCs) and big companies, explains Mishra of Pathfinders. "First, the MNCs are used to operating on a certain profit margin. Second, they often have capacity restrictions. And, third, they don't have the R&D base in this country to keep on finding ways to cut costs."

It is not much easier for small entrepreneurs: they just don't have the capital and the staying power. Will the consumer then have to be content with the stray Nirma or Babool?

"Most entrepreneurs are satisfied with making a few lakhs a year," says Mishra. "We need a quantum jump in terms of vision."

"Nobody made it big without taking a risk," says Khan of Enterprise. "But it must be an intelligent risk."

"What we need are daring entrepreneurs to break the price barrier," says Balsara of Madison.

In Anand, deep in Gujarat, V. Kurien of the National Dairy Development Board has just launched Dhara — a low price edible oil. In Delhi, H.S. Jalan of Indodan Industries wants to be "a Nirma in the coffee market." Slowly, they are creeping out of the woodwork but, in an age where the rupee is increasingly going a shorter way, some are bound to linger to enjoy their hour in the sun.

■ *Parthasarathi Swami*

(With additional reports from D. Shivakumar, Alam Srinivas, George Skaria, Gopinath Menon, Vinay Kamath and Sujoy Gupta.)

SWAMY IS EYEING NEW SEGMENTS



FORTRESS EUROPE

FEARS OF A TROJAN HORSE

Japanese and South Korean industrialists, far from convinced by assurances from European leaders that the EC will not become a "fortress," are rushing to set up plants in Europe before 1992 when the EC dismantles its internal barriers to become a single integrated market.

As of last January, 411 Japanese companies had plants in Western Europe — most within the 12 nations of the EC. There has been a dramatic acceleration in the rate of new projects over the past two years, partly because of the higher yen but mainly in anticipation of 1992.

This sudden surge of Japanese investment in Europe — in cars, electronics and office machinery — has alarmed large sections of European industry, especially in politically powerful France and Italy. A siege mentality afflicts the affected industries.

Cesare Romiti, managing director of Italy's huge industrial combine Fiat, spoke for many European industrialists when he told the European Parliament in Brussels recently that Europe was under "attack" from Japan. He warned of an impending "economic colonisation of our continent," and called for a "common defence and retaliation policy."

A senior executive of Philips, the Dutch electronics giant, propounded a "domino" theory of one European industry after another falling to Japanese domination unless counter measures are adopted. In Brussels, headquarters of the EC, the Round-table of European Industrialists acknowledged the prevalence of such fears.

South Korean companies are adopting similar strategies to the Japanese in Europe — something the Japanese are all too happy to highlight to deflect criticism of themselves.

Formidable armoury. The armoury of weapons being used or readied to cope with the East Asian invasion is formidable. It includes increased use of anti-dumping actions against so-called "screwdriver" assembly plants in Europe and much more rigid interpretation of local-content requirments. Influential voices are calling for a common industrial policy in the EC to coordinate control of inward investment.

The biggest political battle is brewing over grants, subsidies and tax concessions offered to inward direct investment in the EC. Many European countries, such as Britain, which is popular with both Japanese and South Korean companies, are trying to outbid one another on investment incentives.



Up to now, the East Asians have been able to exploit the conflict between the needs of European countries to reduce chronically high unemployment and their desire to limit the degree of foreign penetration of their economies. Heavy lobbying by Euro-industries unable to compete with Japanese quality and technology has, however, brought partly successful calls for central coordination by Brussels of incentives.

In Japan and South Korea as well as in Europe, East Asian industrialists are anxious not to offend European sensitivities, and are eager to integrate their operations as far as possible into local economies and societies. But, faced with a barrage of protectionist devices, the majority of Japanese companies are still considering their response. The Ministry of International Trade and Industry (Miti) in Tokyo and its counterpart in Seoul have joined businessmen in complaining of unfair and even illegal discrimination against East Asian manufacturers. Officials have talked about the need to secure international agreement on such things as local-content requirements where, they say, Europe is writing the rules as it sees fit.

Many Japanese businessmen feel the answer "lies with fostering local sub-contractor relationships." There has been some limited progress in this direction. A couple of dozen Japanese car-part manufacturers have established operations in Europe, partly linked to Nissan's production in Britain and in Spain. Nissan Radiator has established a joint venture with Britain's TI Group to produce exhaust mufflers. Likewise Ikeda Bussan of Japan is jointly producing car seats with Hoover Universal in Europe.

Major drawback. But the relatively small size of national European markets remains a major drawback. This is something which the Japanese hope will disappear after 1992 when technical and other standards are due to be harmonised. For the present, though, individual European markets

offer nothing like the scale of the US market where Japanese manufacturers have been able to justify taking their part and component supply networks with them.

Similarly in electronics, a number of Japanese companies producing unit components for colour TVs and VTRs have moved into Europe. These include Matsushita Electronic Components, Tabuchi Electric (transformers) and Alps Electric (tuners). But

ment overseas amounted to $162 billion of which $43.5 billion was in manufacturing. Miti does not give a geographical breakdown between investment in manufacturing and services, but total Japanese direct investment in Europe of $25 billlion was dwarfed by the $65 billion in North America and eclipsed by Asia ($29 billion) and Latin America ($ 28 billion), too.

South Korea's manufacturing in-

FRONTLINE FIRMS

Although most Europeans think of the Japanese industrial presence in terms of big names like Nissan and Toyota, Sony and Hitachi, the "average" Japanese firm in Europe is a medium-scale enterprise with annual sales of less than $150 million, according to the Japanese Centre for Industrial and Technological Cooperation (CITEC) in Britain.

This average firm employs 355 people, out of which a mere eight are Japanese, and it has a capital of only $11 million. The bigger firms are the car manufacturers — Nissan for instance employs over 19,000 people in Spain — and electronic/electrical companies.

Japanese firms making rubber and metal products in Europe also tend to be relatively labour-intensive, while those making chemicals and machinery or in food processing tend towards the capital-intensive.

The CITEC survey suggests that only around half of the firms are wholly owned by Japanese, and these are mainly in Northern Europe. Elsewhere, joint ventures with locals predominate, producing such things as textiles, pharmaceuticals or ceramics.

again they face the same problems of scale. Both Japanese and South Korean manufacturers say they can produce sub-assemblies as well as things like semiconductors and integrated circuits much more cheaply in their own countries.

The scale of Japan's manufacturing presence in Europe is often exaggerated. Britain's House of Lords, which is conducting its own inquiry into Japan's relationship with Europe, noted that Japan's manufacturing investment in Europe (to mid-1988) was only about 10% of total Japanese overseas investment in manufacturing. (EC sources say it is 14%; other estimates vary.)

Such perspective is often lacking, reflecting the nervous and sometimes nearly hysterical reaction of European manufacturers towards their Japanese competitors — reminiscent of European attitudes in the 1960s towards US multinational corporations when industrialists were obsessed by *le Americain* (the American challenge).

Miti figures show that up to last September, Japan's total direct investment in Europe, says the Ministry of Trade and Industry (MTI) in Seoul, only amounts to $40 million, spread over 65 projects. But a MTI official also noted: "We have to be insiders by 1992 and we have a target of 50 more projects in manufacturing and trading for Europe by then."

If the split between Japan's total manufacturing and other investment overseas holds true for Europe, the value of manufacturing investment in Europe is around $6.75 billion. The equivalent amount in North America is about $17.6 billion. (US manufacturing investment in the EC at the end of 1987 was some $65 billion.)

Nevertheless, the EC fear is that Japan has begun "targeting" Europe for future investment, largely as a result of 1992. The widely held explanation for Japan switching its direct investment attack to Europe is the business prospect of a single market of some 320 million consumers after 1992, without the current obstacles of national borders, varied product standards and different fiscal levies.

Massive onslaught. By setting up plants inside Europe, it is argued, Japan can continue to conduct a massive onslaught on European consumer markets without incurring trade frictions. And it will be able to enjoy even bigger economies of scale in manufacturing than in the US. The Japanese do not deny this, openly admitting that a combination of trade frictions and anti-dumping actions over exports, and the fear of being excluded after 1992, has brought them to Europe.

The so-called "invasion" of Europe is also part of a global recycling of Japan's financial surpluses. Although Japanese direct investment in Europe as a whole rose by a dramatic 90% during the fiscal year to 31 March 1988, investment in Asia rose by 109% for the same period, says the Japan External Trade Organisation (Jetro). And, according to Miti, the share of the US in overall Japanese direct investment rose from 44% to 50% in the first half of the 1988-89 fiscal year.

But the alarm is selective. It is Japan's concentration on a number of large investments in the politically sensitive European vehicle and consumer-electronics industries which worries most. (The second-biggest area of Japanese investment in Europe after electronics and electrical goods is chemicals, though the European industry is confident of its international competitiveness and rarely voices fears of Japanese domination.)

To many in continental Europe, Japan's concentration on Britain as a base for EC operations has earned Britain an unwelcome reputation of being East Asia's Trojan Horse in Europe. According to Jetro, nearly a third of Japan's total direct investment in Europe (5% of its global total) is in Britain. The Netherlands is next with 2.3%; West Germany and France have only 1.4% and 0.9% respectively. (Nearly a quarter of Japan's total $23 billion trade surplus with Europe in 1988 was with Britain too, though Japan enjoys an even bigger surplus with West Germany.)

The reasons Japan favours Britain are part cultural and part political. Initial orientation towards the US export and investment markets led to a focus on English-language skills which translated into a preference for Britain within Europe. There is increasing evidence now, however, that Japanese executives are starting to take seriously the need for proficien-

cy in other European languages. The same goes for their South Korean counterparts.

The Japanese are aware of the need to diversify geographically their investment in Europe. A London-based Jetro official said that Britain was the most favourable in economic terms but perhaps not politically for some type of Japanese firms wanting to set up in Europe. "There are some strong winds from France and Italy," he said.

Protectionist leaders. But if countries like France and Italy are not getting what they regard as their share of Japanese investment they only have themselves to blame. Apart from Philips and Fiat, it is the likes of France's aluminium giant Pechiney and carmakers Citroen and Renault which have carried the banner of anti-Japanese protectionism in Europe.

While organisations such as the Confederation of British Industry and its West German counterpart, the Bundesverband der Deutschen Industrie, have called for a liberal approach towards outside access to the post-1992 single market, France's voice of industry, Le Patronat, has favoured a more fortress-like approach.

The Japanese and the South Koreans have been able to exploit the conflicting European needs to reduce high unemployment and the desire to limit the degree of foreign penetration of their economies

The French government has circulated a memorandum on industrial policy calling for temporary external protection for "infant industries" in Europe. It also advocated EC-wide criteria for inward direct investment and suggested that such investment be encouraged only if it makes a net contribution to employment in the community or introduces new technology. (EC sources indicated that a community-wide industrial policy making such controls possible was unlikely to appear in the life of the present EC Commission, which runs for another three years.)

The word "net" is important. UNICE officials argue that by subsidising Japanese-created jobs, northern European governments are destroying jobs in the poorer southern EC countries. Japan, though, can point to some 20,000 jobs created in Spain (Nissan Motor and Nisshin Steel), even if manufacturing investment in Portugal and Greece has so far been modest.

But the Japanese are harder pressed to defend their concentration on particular industry sectors than to justify their channelling of investment to Britain. Although Japan has invested in various industries in Europe, most flows into electronics and electrical equipment and, in terms of the size and value of projects,into vehicles.

This reflects Japan's assessment that these sectors hold the greatest opportunities for mass consumer markets in Europe. Much the same can be said of the South Korean manufacturing drive in Europe, though the South Koreans so far have targeted consumer electronics and are yet to assemble vehicles in Europe.

■ *Anthony Rowley*

(By special arrangement with the Far Eastern Economic Review, *Hongkong.*

MANAGEMENT

GMs, A VANISHING SPECIES

The signs are that unicorns, dragons and the like will soon be joined on the list of mythical beasts by a modern equivalent: the general manager. This poor creature is defined as someone competent to run an organisation of whatever sort, regardless of its circumstances.

Although plenty of people bear the title, scholarly researchers and headhunters alike are hard-pressed to find anyone who matches the definition. Take, for instance, Professor John Kotter of Harvard Business School who, after studying so-called general managers in nine corporations, reported that almost all were in fact not just specialised but narrowly so. "They have an unusual set of personal characteristics that closely fit the specific demands of the contexts in which they work."

Ironically, omnicompetent managers are turning out to be mythiical at a time when they have never been more needed. Today, change is taking place not only more quickly, but in unforeseeable directions, and thus varying as well as quickening the processes needed to cope with it. In many cases, the fitness of businesses to survive will probably depend on their having management capabilities

Although plenty of people bear the title of general manager, scholarly researchers and headhunters are hard-pressed to find anyone who matches the definition

to fit the demands of the rapidly shifting contexts of work.

Such changes could well overwhelm even the minority of companies which, having twigged that truly general managers are as rare as hippogriffs, try to work on the "horses for courses" principle. Examples include the 150 international businesses contributing to the research programme run jointly by Michigan University's management school, the Hay consultancy and the Strategic Planning Institute, under the name of the Organisation and Strategy Information Service. The findings show that business success, as measured by return on investment, is strongly linked with a particular pattern of executive employment.

The operations with a high return tend to be those which change their managements by recruiting outsiders to important positions at both the early and late stages — the growth and



"WHEN WE ASKED HIM TO GET INNOVATIVE, WE HAD SOMETHING ELSE IN MIND"

decline phases — of the lifecycle of the company's main product. During the mature stage between, however, the successful businesses maintain managerial continuity by filling vacant executive posts by internal promotion.

Explanation. The researchers think the explanation lies in the different demands imposed by the phases. In growth and in decline, emphasis tends to be on doing different things from those done by competitors, which puts a premium on fresh ideas and approaches.

A management is more likely to be open to them when the balance of power is held by executives not brought up in the company's established practices and political ethos. In the mature stage, when the emphasis is on doing the same things more efficiently, the balance is better held by executives deeply familiar with the detailed ways in which their plant and workers and customers operate.

But other studies indicate that what distinguishes the two sets of balance-holders is not simply that the outsiders' experience and ideas are broader than those of the insiders. There is much evidence — for example, in the work of the psychologist Jung — that managers who thrive when the prime need is for innovation are different in personality from those successful when efficiency is the key.

Even so, in theory, it should be easy for companies to adopt the horses for courses principle. All they need to do is identify impending shifts in their product lifecycles, and with the aid of personality tests alternately replace a decisive number of managers of the innovative type with the efficient type, and vice versa.

The trouble is that the theory takes no account of the changing conditions in which companies have to operate. One stumbling block is that the steps to establish a single European market after 1992 are likely to join with advances in technology to make orderly product lifecycles with clearly identifiable stages a thing of the past. There is no reason why Europe should be a market uniformly preferring relatively inexpensive products of standard kinds. It may equally well be a hotchpotch of separate markets each preferring high-priced goods tailored to its specific wants. Another probability is a varying mixture of both, with the same product at different stages of the cycle in different places.

With the general manager a thing of the past, businesses need to engineer their control system so that it both prompts innovative managers to be efficient with resources and coaxes efficient managers (normally resistant to innovation) to pursue new opportunities

A second obstacle is that, as a result of the diminishing young populations of countries such as West Germany, Britain and France, capable executives of any personality type could well be in too short supply for companies to make changes in their managements' balance of strengths. No matter how much and frequently the sorts of work required of their managements may change, businesses are likely to have to make do with much the same mix of executive abilities that they had before.

The problem, of course, is how. "There's no doubt that a lot of top executives will need to look closely at their organisations," says Marcus Alexander, a director of the GAH management consultancy set up two years ago by former members of McKinsey and the Boston Consulting Group.

Personality types. "Left to themselves, both of the personality types can hamper performance. When the company's strategic need is for efficiency, managers with an innovative disposition will tend to waste resources. When the need is for new developments, the efficiency merchants will waste opportunities. The tendency in organisations is that, over time, one type or the other gets the upper hand and cements in systems of control that enforce its own preferred methods. So when the strategic need changes, even if top management spots it and works out and hands down a fresh policy, the control system keeps on pushing the company in the old direction," adds Alexander.

If businesses are to be agile enough to cope with the likely changes, Alexander thinks they need to engineer their control system so that it both prompts innovative managers to be efficent with resources and efficient managers to pursue new opportunities. Fortunately, only a few people of either type are imprisoned in it to the extent that they are unable to work in the other way.



Now get the rock drilling tools you've been using all along – directly from the company that's been making them all along.

Directly yours

SANDVIK
Rock Tools

For several decades, Sandvik Coromant integral drill steels, extension equipment and down-the-hole bits have been blasting through mines, drilling for water, quarrying and crushing competition!

The market in India – and globally – has acknowledged Sandvik's leadership in products and in service. In fact, over one third of the drill steels sold all over the world carry the name Sandvik Coromant.



We invite all users of rock tools to come directly to Sandvik, through our area offices and our newly appointed distributors and stockists

Sandvik Asia Ltd
Bombay-Poona Road, Pune 411 012
tel: 86491
cable: Coromant, telex: 0146-[illegible] & 0[illegible]
fax: 0212-85736

M/s. B. SAL [illegible]



For Change

Change for the better.
Change to transform potential into performance.
Change as a process of growth, leading to fruition.

TA 3664



For Cookson

Eyre Smelting is now Cookson India Limited

Cookson — Global Experience at Work

In recognition of its long association with Cookson, Eyre Smelting Limited now changes its name to become Cookson India Limited. All over the world, Cookson is acknowledged as a frontrunner in the field of technology-based speciality materials and components needed virtually by every industry. Today, Cookson operates throughout Europe, the USA, Canada, Mexico, Australia, Africa and countries of the Far East with over 120 subsidiaries in over 200 locations. In electronics and aerospace, construction and ceramics, casting and printing and in many other high growth industries, Cookson is playing a major role across the globe.

Eyre Smelting — A Special Indian Experience

Eyre Smelting started operations in India in 1931 to cater exclusively to the needs of the Indian Railways with special metals and alloys for specialised applications.

Innovating and progressing with the times, Eyre Smelting today is a trusted and respected source of a wide range of high precision metallic products for over 1500 customers in the electronics, automobile, printing, casting and construction industries. A financially sound organisation, Eyre Smelting experienced a 32% growth in sales during 1986-87 and announced 25% dividend.

Cookson India — Geared for Growth

Cookson's Indian operations will not only address the growth opportunities in the Indian market but also encompass the entire Asia-Pacific region. In fact, for Cookson, this marks the beginning of a major new drive.

The unprecedented boom in the Indian electronics industry has catalysed the need for speciality materials and components. In ceramics and high temperature refractories, and in aircraft-cleaning chemicals, Cookson India is poised to contribute in a major way, with its international expertise and Indian experience. Cookson India is all set to expand its horizons with hi-tech speciality inputs for hi-growth industries. Cookson India is all set to step into the future.

Cookson India Limited
(Eyre Smelting Division)

Speciality inputs for hi-growth industries

EASY TO FILE
EASIER TO FIND



If you're tired of retrieving lost files and misplaced papers at work, it's time you got yourself a Godrej Filing System. It keeps your papers in order; so you can get at them immediately. Without wasting time and effort.

The Godrej Filing System is specially designed for your convenience. The fully enclosed drawers prevent your papers from falling out. A Godrej unique full extension slide ensures effortless movement of loaded drawers and easy access to the last file. And to keep your confidential papers safe, there's a special Godrej lock with a 'push and lock' action.

An automated airless electrostatic painting process and a special Alkyd-amino paint give it an attractive, scratch-resistant finish. And because of its superior quality, you can rest assured it will look good-as-new, for years.

You have a choice of two filing systems. **VISAFILE®** – with interconnected file folders to accommodate individual files. And **FEZEEFILE®** – for separate files which are suspended directly from the sides of the drawer.

You can have an organised office routine today. Boost efficiency by buying Godrej Instafiles and Filing Systems.

Godrej®

INSTAFILE AND FILING SYSTEMS.

File it. You are sure to find it.

ULKA-11717

"But they're most unlikely to do so unless the system makes them. After all, that's what controls exist for: to modify people's habitual behaviour," says he. The traditional kind of controls, whose modifying object is to restrain, will remain indispensable for keeping innovative types awake to the importance of efficiency. An illustration is the setting of crystal clear targets for the reduction of capital employed in the manager's unit.

By contrast, the measures needed to produce innovative approaches from devotees of efficiency will themselves need to be innovative. The GAH director terms them "inspirational controls." For example, instead of requiring executives to justify in detail their decisions to get new capital equipment for their operation, certain Scandinavian concerns now require them to justify their decisions to keep old equipment.

To serve as a bridge between restraining controls aimed at innovative dispositions and inspirational measures focussed on the efficient counterparts, there can also be supportive controls which simultaneously steer both types' behaviour in the desired directions. For instance, in several companies managers are regularly handed lists of leads to potential clients and required to report what has been done to secure their custom.

The decision to establish such a three-strand control system is inevitably somewhat pessimistic since it acknowledges that some of a company's executives will always pull in different directions, rather than all together in the manner of truly general managers. But given the evidence that they are mythical, businesses which go on acting as though they existed are surely in danger of becoming extinct.

■ *Michael Dixon*
(By special arrangement with the Financial Times, London.)

SRI LANKA

A PLATEFUL OF WOES

President Ranasinghe Premadasa's four-month-old administration, which came to power in Sri Lanka on the promise of raising living standards, finds itself face-to-face with the prospect of imposing austerity measures.

Continuing terrorist conflicts in the north and south of the country, strikes and shutdowns imposed by Sinhalese and Tamil extremists, vote-catching spending in both the recent presidential and general elections — all have taken their toll on the economy. Inflation, which had risen to 15% at the end of last year, has probably passed 20% and is still climbing.

The budget deficit, which should have come down to 10% of GDP this year under the existing structural adjustment programme agreed with the IMF, surged last year to 15% and will reach 12%-14% this year on the basis of budget estimates.

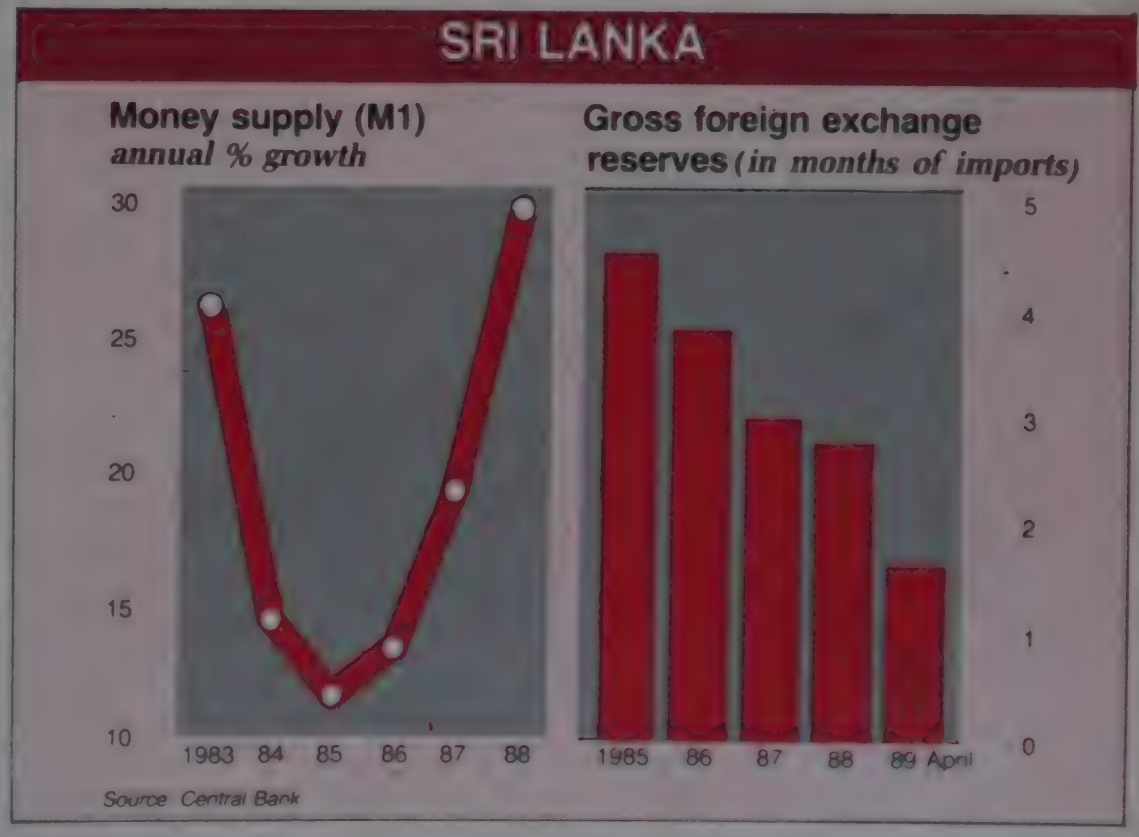
Monetary growth was still a high 22% on an annual basis at the end of March, though down on the 29% at the end of last year.

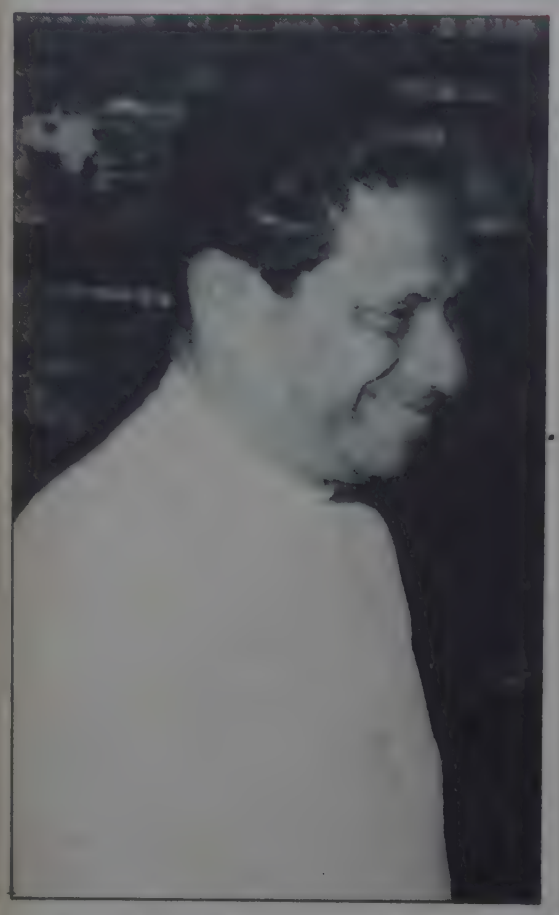
Reserves dip. Most indicative of the government's lack of space for manoeuvre is that with the current account deficit still rising (an expected 9% of GDP this year) and Sri Lanka's high debt-service ratio virtually barring it from further commercial borrowing, the foreign exchange reserves have dipped to a low for the decade of the equivalent of six weeks' imports — maybe less.

Decisions on economic policy have so far left observers confused as to the government's intentions.

"I don't see any direction at all," says one western diplomat. President Premadasa seems to have been fed overoptimistic accounts of the state of the economy by H.N.S. Karunatilake, his recently appointed central bank governor. Karunatilake got the job after publicly saying last year that the president's proposed poverty alleviation programme, promising Rs 2,500 for the poorest 1.4 million families, could be easily financed.

Interest rates which had been raised to absorb inflation were abruptly reduced before recently resuming their upward trend. The currency, which was depreciating at the beginning, was briefly revalued before resuming a downward slide. Price controls were imposed on pharmaceuticals though the President's





PREMADASA MAY HAVE TO SWALLOW BITTER MEDICINE

real instincts appear to be market oriented.

Against this background, economic growth has remained low, particularly by comparison with the rapid expansion that followed the initial opening up of the economy in the late seventies. Real GDP has risen at only 2%-3% over the last two turbulent years. Unemployment, which is at the root of the frustrations that have allowed the extremist Sinhalese JVP movement to build up its strength, is around 18%.

The bright spot in the economy, demonstrating Sri Lanka's potential if ever it can get back on the rails, has been export-oriented manufacturing and services. Aitken Spence, a large, diversified, local group with interests in shipping, garments, container traffic and tourism, says it had record profits last year in spite of its hotels being closed down in the peak winter holiday period.

A new Taiwanese-Sri Lankan joint venture exported $3 million of garments in its first year last year and is expecting a $14 million turnover this year while also constructing a factory to make sweaters. Substantial Japanese investment is waiting to pour in but is deterred by economic and political uncertainties.

The task of the IMF is to decide on what terms Sri Lanka will be able to make an overdue SDR 66 million second tranche drawing on its three-year structural adjustment loan. On the Fund's approval depends the release of concessional aid by western donor nations.

Until recently the new government had hoped the Fund would not be too pressing in its demands. But the mood among Fund and Bank officials is that Sri Lanka has now twice postponed much needed stabilisation measures because of political difficulties.

In the belief that the country had in 1987 launched on a new course, the World Bank hopefully called its 1988 assessment of the economy "a break with the past," but Sri Lanka failed to live up to its commitments.

The Fund made clear to R. Paskaralingam, the new treasury secretary, when he was in Washington recently that the case for a stabilisation package remained unchanged.

Devaluation demand. The most sensitive point for Premadasa's government is an expected demand by the IMF for a substantial and immediate devaluation. Because of government determination to hold down inflation last year, the currency was allowed to appreciate by 5% in real terms (as adjusted for inflation and measured against that of Sri Lanka's main trading partners).

This year's depreciation in nominal terms has not begun to make good the loss of competitiveness caused by Sri Lanka's soaring inflation rate. A substantial devaluation (10%-20%) would boost export earnings, but the immediate rub for the government is that it would further exacerbate inflation — with the risk of unrest spreading from students to industrial workers and public employees.

Sri Lanka is in an economic mess. And the IMF is prescribing bitter medicine — including devaluation — to President Premadasa

To contain the inflationary consequences the Fund is expected to insist on tight fiscal and monetary policies, and possibly a budget deficit limited to 10% of GDP and a target for monetary growth of 10%-15%. This would require bringing down governmental expenditure as a proportion of GDP from 34% to about 28% and sharply raising interest rates.

Premadasa's priority is to save his Jana Savya poverty alleviation programme which accounted for an additional Rs 10 billion (Indian Rs 470 crores) of expenditure in the budget from being further axed. The programme is seen by officials as cushioning the poor against the impact of austerity policies while providing the jobs that could help limit the JVP's appeal.

Timetable slips. The programme has already been trimmed from the 1.4 million families that the President spoke of in his campaign speeches to 300,000 mentioned in the budget. It was to have been introduced in April but the timetable has now slipped to July. Observers in Colombo, who initially treated it as a gimmick, increasingly take it seriously as a way of stemming the unrest in the villages on which the JVP has flourished.

The Fund believes that one way of achieving cuts in government expenditure is to spend less on bulky, capital-intensive projects, like the Mahaweli irrigation scheme, and to reduce the size of Sri Lanka's mammoth public sector. It is thus expected to press for extensive privatisation.

Austerity policies are never popular. President Premadasa's government can be expected to put up a tough fight over the details. But the dwindling foreign exchange reserves leave the country little choice but to accept the policy changes that the Fund will propose.

■ *David Housego*

(By special arrangement with the Financial Times, London.)

CRAY SPLITS

Supercomputer maker Cray Research Inc. is splitting into two companies. A new company Cray Computer Corp. is being formed to concentrate on Cray-3 operations based in Colorado. Cray Research Inc. will continue to focus on its current product lines, the Cray-X-MP EA, Cray-2, Cray Y-MP and C-90.

Cray Research will retain 10% ownership after distributing 90% of its offshoot's stock to its shareholders. Besides, it is bound to transfer about 5% of its assets ($50 million) to Cray Computer. Cray Computer is also to receive a $100 million injection of operating income from its parent.

BIG BLUE'S NEW MODELS

IBM has rolled out two new PS/2 personal computer models. And they are priced $4,000 lower than similar models made by the competition. One of the new models, the P70386, has Intel Corp's 80386 central processor. It has a main memory of 4 mega bytes (mb) and costs $7,695 with a 60 mb hard disk drive. A 120 mb drive model costs $8,295.

Big Blue's other offering is the 55 SX which uses Intel's 80386 SX microprocessor, a less powerful version of the 80386. The price tag: a reasonable $3,895 with a 30 mb hard disk drive and $4,295 with a 60 mb drive. IBM claims that software runs 20% faster on these machines than on previous IBM machines using the 80286 chip.

The top brass at Big Blue are keeping their fingers crossed that sales will take off as competitors have been reporting poor lifting of their 386 SX models from shop shelves.

Big Blue has a carrot ready. It's hoping to soon cut prices by 30% to lure buyers. Having caught up with the competition will Big Blue catch buyers?

BOEING'S TAILSPIN

Boeing's latest offering, the 747-400, which is touted as the world's most powerful aircraft, has got the thumbs down signal from Europe. The continent's aviation authorities claim that the 747-400 was being built to the standards of nearly 20 years ago. This decision came just days before the first of the 55 aircraft for several European airlines was due to arrive in Europe. Among Boeing's prospective clients were KLM, Lufthansa and British Airways.

The 747-400's other major clients include North West Airlines of the US and Singapore Airlines. The aircraft has been certified by the US Federal Aviation Administration. The Europeans, it appears, are not impressed.

NO LONGER BIG DADDY

It's a convenient myth that Uncle Sam has to shoulder an unfairly large burden of the costs of western European defence. This is the surprising conclusion drawn by the Stockholm International Peace Institute (Sipri) in its recently published yearbook.

According to Sipri, the US spends between 0.9% and 3.6% of its GDP on Nato military expenditure. These figures are based on estimates from American sources. Britain devotes a higher portion of its GDP for defence (4.5%), and so does West Germany (3.4%).

"In terms of security, manpower and a predominant role in international relations, the US contribution to the Alliance's (defence) cost is not excessive," says the yearbook. On the other hand, argues Sipri, the US benefits substantially in terms of both output from its defence industries and trade and employment generation.

IT'S SOYA WARS NOW

First it was beef. Now it's soya. The US and the European Community (EC) are heading for a clash over soyabean trade.

The American Soyabean Association (ASA) claims that EC subsidies on oilseeds have cut US soyabean exports from $3.6 billion in 1981 to $2 billion in 1986. The emerging conflict, says the ASA, could lead to a $1.5 billion trade sanction against the EC.

In January 1988, the US Trade Representative's Office accepted an ASA petition claiming EC subsidies were unfair. The US Trade Representative has 18 months to settle such an affair, by 5 July in this case. "There is zero chance that the case will be resolved by 5 July," a US trade official said.

To put pressure on the EC, the Bush administration plans to hold up an EC request for a Gatt panel to examine US quotas on imports of sugar, cotton, peanuts and dairy products. So much for free trade!

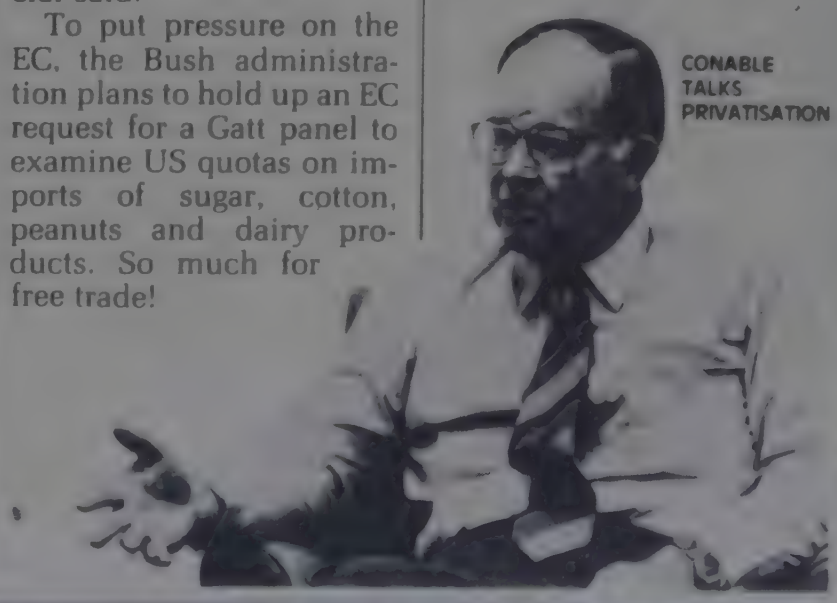
WORLD BANK FOR PRIVATISATION

Privatisation is no longer a dirty word. So even the World Bank has been advised to support such moves in the developing world. This was one of the main recommendations of the special group set up last year by Barber Conable, World Bank president, to review policies towards the private sector.

The other proposals include supporting reform in financial markets, promoting the development of capital markets and that lending to national development finance institutions should be reviewed because their record is "at best mixed."

The study also proposes that the International Finance Corporation should play a more intensive role in direct financing of private industrial projects, improving the climate for small business in developing countries and promoting direct investment in the third world.

Conable said these proposals "describe the framework and set the agenda for the World Bank group in private sector development." Thatcherism has found, at last, a niche in the international bureaucracy.



CONABLE TALKS PRIVATISATION

GOODBYE, SOUTH AFRICA

In the past three years, over 550 foreign companies have decided to quit the land of apartheid. On 28 April, it was Mobil's turn. The oil giant, which employs more South Africans than any other American company, is planning to sell off its local oil refinery and distribution business.

This move was the result of the Comprehensive Anti-Apartheid Act of 1986 which banned new American investments in South Africa but left existing ones alone. However, a further provision introduced at the end of 1987 forced American companies to pay American, as well as South African, taxes on their South African profits. Mobil saw 72% of its profits go to the taxman, as against 58% before the 1987 provision.

The US House of Representatives passed a bill last year forcing all American firms to divest from South Africa. It failed to get through the Senate. Mobil's departure, says *The Economist*, "increases the chances of the divestment bill becoming law."

REVERSE BRAIN DRAIN

Earlier it was the brain drain. Now it is the reverse drain. All those Asians who once flocked to the US, the land of opportunity, are now legging it back home. The first batch of defectors are the South Koreans.

Says to Jim K. Kim, an electronics engineer who worked in a California-based computer chip manufacturing company, "Coming back home is a once-in-a-lifetime opportunity." He feels that his contribution is greater in Seoul. He was wooed by South Korea's Samsung Electronics Co. Korea's giant semiconductor companies, such as Samsung, Lucky Goldstar and Hyundai Electronic Industries are now headed by defectors from US companies

The US is increasingly feeling the pinch. Half the assistant professors in US graduate schools of engineering who are under 35 years of age are foreigners. At IBM's research headquarters, 27% of researchers are non-American. But the situation may not be so alarming if the US maintains its welcome mat for the flood of Asian students coming in now — particularly from China.

GREEN EXXON?

Ever since March this year, when Exxon managed to spill 10 million gallons of crude oil in the waters off Alaska, the oil giant has been an easy target for environmentalists.

The company has a reputation for ignoring green concerns. But now, under pressure from "socially responsible" pension fund investors, led by politician Harrison "Jay" Goldin, Exxon has decided to appoint an environmentalist on its board. Lee Howard, Exxon's president, told Goldin in a letter that the company was also setting up a board to deal with environmental issues.

This softening of attitudes is a reaction to Goldin's threat to stir up a revolt by shareholders with $1 billion of Exxon shares. The institutional investors hold an insignificant 1.7% of Exxon's shares, hardly a base to wage a battle for corporate control. This makes the success of the environmentalists even more remarkable.

CALCULATOR BAGS BOWTIE



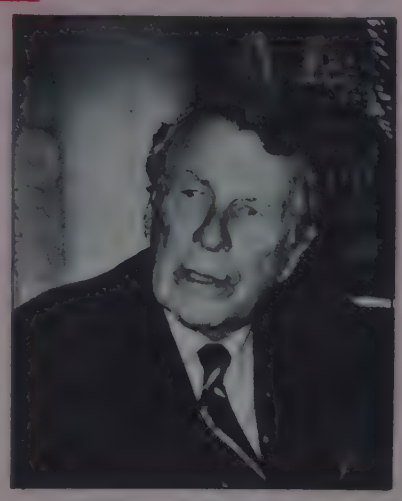
SORRELL DANGLED JUICY WORMS...

Martin Sorrell, the ex-numbers man from Saatchi & Saatchi and currently head of the WPP group, has done it. He's bagged the Ogilvy group only weeks after chairman David Ogilvy called him a "little odious jerk" and someone "giving him the creeps."

Ogilvy, the venerable old man of advertising, got hooked onto Sorrell's bait after a few juicy worms were added on it. These included upping the bid from $45 a share to $54, or $864 million for the whole lot. Sorrell also nodded his head to Ogilvy's demand that the agency he founded should retain autonomy within WPP after the takeover. And, Ogilvy in turn gets a seat on the WPP board as non-executive chairman.

Ogilvy's role in the group, says Sorrell, "will be immensely valuable to WPP in terms of advice and counsel." He added, "No doubt, he'll pepper us with memos."

WPP is financing the bid through a £214 million issue of convertible preference shares and loans. Glowed post-takeover Sorrell, "This completes my quest to build the finest advertising agency in the world."



... AND OGILVY GOT HOOKED

But largest it is not. Though combined total billings are $13.5 billion, WPP is still a whisker away from Saatchi & Saatchi — the world's biggest today.

Martin Sorrell, however, seems on course to teach his former employers, Charles and Maurice Saatchi, a lesson or two in adding agencies to create a megacorp.

P&G TO GIVE UP SOFT DRINKS?

Hot competition has finally put paid to Procter & Gamble's efforts to keep its soft drinks business on its feet. The Cincinnati-based giant is considering hawking off this division, which includes the Crush, Hires and Sundrop citrus soda product lines sold in the US, and various other fruit-flavoured soft drinks sold in other countries.

Though the book value of P&G's soft drink business is estimated at $65 million, analysts predict that it could fetch a cool $100 million.

DEDUCTING KNOWHOW COSTS

Technological upgradation has been one of the pillars of the government's liberalisation policy. While the courts are taking the view that any expenditure incurred to improve technology should be treated as a business expenditure on the revenue account, the provisions of s.35-AB of the Income Tax Act, 1961, seek to allow deductions only over a period of six years.

For its part, the Supreme Court has held that an expenditure will be treated as being on the capital account where an enduring advantage or benefit is received only if it is in the capital field. If the enduring benefit is in the revenue field and the expenditure does not result in the creation of a capital asset, the expenditure will be deemed to have been on the revenue account.

This view was recently taken by the Supreme Court in the case of *Alembic Chemical Works Co. Ltd. v. CIT* (1989, 43 *Taxman* 312). In this case, the assessee company, a manufacturer of penicillin, entered into an agreement with a Japanese firm, Meiji Seika Kaisha Ltd., in 1963 in order to increase the yield of their plant.

According to the terms of the agreement, for a "once for all" payment of Rs 2,39,625, the latter agreed, *inter alia*, to supply to the assessee sub-cultures of Meiji's most suitable penicillin producing strains, technical knowhow, and the design and specifications of the main equipment in such pilot plant for a period of two years. A stipulation made was that such technical knowhow would be kept confidential by the assessee.

In the proceedings for the assessment year 1964-65, the assessee claimed a deduction of the aforesaid sum as a revenue expenditure.



There is no single criterion to determine whether a particular outlay is capital or revenue. Only a commonsense approach will serve

The income-tax officer (ITO) disallowed the claim on the ground that the expenditure was for the acquisition of an asset or advantage of an enduring nature. On an appeal, the appellate assistant commissioner agreed with the ITO's stand.

On a further appeal, the tax tribunal also rejected the assessee's claim. As the high court, too, concurred with the tribunal's stand, the matter reached the Supreme Court. The assessee submitted that the tribunal had failed to take into account the fact that even before the agreement with Meiji, the company (Alembic) had set up a plant for the production of penicillin at an outlay of more than Rs 66 lakhs. The purpose of the agreement was, thus, only to increase the yield of penicillin and no new venture envisaging the setting up of a new plant was ever intended by the assessee.

The Supreme Court held that in computing the income chargeable under the head "profits and gains of business or profession," s.37 of the Income-Tax Act enables the deduction of any expenditure laid out or expended wholly and exclusively for the purpose of the business or profession, as the case may be. The fact that an item of expenditure is wholly and exclusively laid out for the purposes of the business, by itself, is not sufficient to entitle its allowance in computing the income chargeable to tax.

The court felt it would be unrealistic to ignore the rapid advances in research in antibiotic medical microbiology and to attribute a degree of endurability and permanence to technical knowhow at any particular stage. Hence it could not qualify as an enduring capital asset.

Besides, the clause in the agreement that placed limitations on the right of the assessee in dealing with the knowhow and its confidentiality pertained more to the use of the knowhow than to its exclusive acquisition, the court held.

In the Alembic case, observed the Supreme Court, the high court appeared to have been influenced by the fact that the initiation and exploitation of the new process brought in their wake a new venture, requiring an altogether new plant. However, improvisations in the process and technology were supplemental activities for any business and there was no material (in the present case) to indicate that such improvisations amounted to a new or fresh venture. Besides, the fact that the agreement pertained to a product already being manufactured as part of the assessee's established business and not to a new product indicated that what was stipulated was an improvement in the operations of the existing business.

Such being the case, the expenditure incurred on acquiring the knowhow from Meiji could be held to be a revenue expenditure. Reference may also be made to the observations of the Supreme Court in *CIT v. Ciba of India Ltd.* (1968, 2 *SCR* 696, page 705).

There is no single definition criterion which by itself determines whether a particular outlay is capital or revenue. The "once for all" payment test is also inconclusive. What is relevant is the purpose of the outlay and its intended object and effect, considered in a commonsense way with regard to business realities.

■ *H.P. Ranina*

The author is a Bombay-based advocate

ELECTRONIC ACCELERATORS

Series ELV
direct-action
continuous
operation mode

Series ILU
single-resonance
hig-frequency
pulsed operation

employed in all kinds of industries in radiation-chemical cycles :

- to produce heat-setting parts
- to modify by radiation cabling and wiring with polyethylene insulation
- to produce expanded polyethylene
- to produce extruded industrial rubber parts
- to solidify coating layers regardless of the base surface (polymers, metals, wood, paper, ceramics)
- grain desinsectization
- waste water treatment

Energy and average accelerator beam strength-maximum range of measurement

ELV-1	ELV-2	ELV-3	ELV-4
MeV 0.4-1.0	0.8-1.5	0.4-0.70	0.8-1.5
kW	20	20	50
kW			
kW 20	20	50	50

ELV-6	ILU-6	ILU-7	ILU-8
	20	50	
0.8-1.5	0.5-2.0	2.0-3.0	MeV 0.4-0.7
	20	50	kW 20



ILU-8 and ELV-3 accelerators can be delivered with individual radiation protection.

Round-the-clock operation

INDUSTRIAL ACCELERATORS STAND FOR

- a higher rate of the cycle process
- reduced production cost
- minimized chemical and heat pollution of the environment
- improved product quality

Exported by :

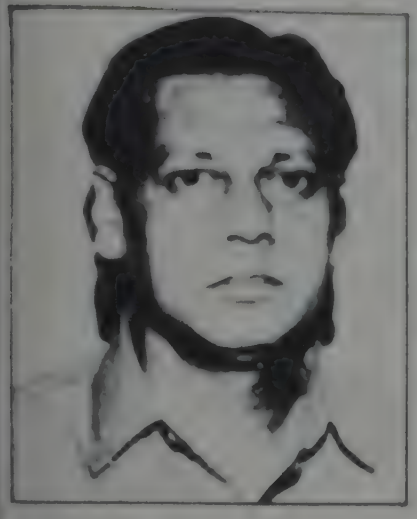
V/O TECHSNABEXPORT

26, Staromonetnyi per., 109180 Moscow, USSP
Tel. 233-48-46
Telex : 411328 TSE SU 411239 TSE SU

TENEX®

ALL-UNION
FOREIGN TRADE
ASSOCIATION
TECHSNABEXPORT

WESTERN COALFIELDS' PROJECTS



This article, the sixth in the series on coal mining projects in India, will discuss the ongoing and future schemes of Western Coalfields Ltd. (WCL), a subsidiary of Coal India Ltd. The previous five articles had presented the new projects of Coal India's other subsidiaries namely Bharat Coking Coal Ltd., Central Coalfields Ltd., Eastern Coalfields Ltd., Northern Coalfields Ltd., and South Eastern Coalfields Ltd. WCL, headquartered at Nagpur, overseas coal mining in Maharashtra and southern Madhya Pradesh covering the Pench, Kanhan and Patharkhera areas.

WCL is currently developing various open cast and underground coal mines. The open cast projects are:

- The 0.45 million tonnes per annum (tpa) Bellora project is being developed at a cost of Rs 19.3 crores. Work reportedly commenced during fiscal 1987-88. The project is likely to be completed during the early nineties.
- The 0.25 million tpa Dhuptala project is in the initial stages of implementation. Estimated to cost Rs 9.45 crores, it is scheduled to be completed by the early nineties.
- Considerable progress has been reported on the development of the Ghugus project which will have a capacity of 1.5 million tpa. Estimated to cost Rs 65.38 crores, it is scheduled for completion during 1990.
- The Niljai project located in the Yeotmal district of Maharashtra will have a capacity of 1.9 million tpa and is estimated to cost Rs 96.89 crores. It is to be completed by 1996 with technical assistance from East Germany which will be providing continuous mining technology. The project has been facing delays because of problems in acquiring land.
- Substantial progress has been reported on the 1.25 million tpa Padampur project which is expected to cost Rs 50.74 crores. The project is likely to be completed by mid-1992.
- The implementation of the 1 million tpa Sasti project to cost Rs 40 crores has also been delayed because of problems in the acquisition of land. It is likely to be completed during 1991.
- The government is reportedly negotiating for West German technical assistance to exploit deeper deposits at the coal mine for the 0.22 million tpa Sethia project. For this purpose, a West German financed feasibility study has been initiated.
- The project for the reconstruction and expansion of the Umrer open cast mine at a cost of Rs 50 crores is at an advanced stage of implementation. It will attain a capacity of 1.84 million tpa when completed in 1989.

WCL's underground coal mining projects are:

- The 0.15 million tpa, Rs 6.81 crore Bansi project on which satisfactory progress has been reported.
- The 0.6 million tpa, Rs 17.89 crore Nandan project in Chhindwara district of Madhya Pradesh which is reportedly in an advanced stage of implementation. Its completion scheduled has, however, been affected due to many problems.
- The ambitious 1.5 million tpa, Rs 46.96 crore Saonar project in Nagpur district. It has been facing technical difficulties and completion has been postponed to mid-1994.
- The 0.6 million tpa, Rs 20.7 crore Shobhapur project which commenced in 1987. It is at an advanced stage of implementation but completion is believed to have slipped by a year to 1989.
- The second phase of the Silewara project to cost Rs 38.06 crores. Technical problems have delayed completion to around mid-1991.
- The 0.9 million tpa, Rs 51.58 crore Tandsi Phase I underground project in Chhindwara district of Madhya Pradesh. Scheduled for completion in 1994, the technical knowhow for exploiting deeper deposits is coming from West Germany. A feasibility study has been initiated.

Western Coalfields is developing various open cast and underground coal mines besides participating in the installation of India's first coal slurry pipeline

WCL has also planned to take up two new coal projects which are in the initial stages of planning. The 0.5 million tpa Hindustan Lalpeth open cast project which is to be developed at a cost of Rs 21.85 crores. The project is reportedly under governmental consideration. The coal company could also take up the development of the Rajur underground mine. A French company is likely to provide the technology for thick seam underground mining.

WCL is also participating in the installation of India's first coal slurry pipeline for the transportation of coal. Expected to be a forerunner of many such schemes in the future, the project envisages the installation of a 59 km pipeline connecting New Majri Coalfields in Chandrapur district of Maharashtra to the Chandrapur super thermal power station presently under construction. Engineers India Ltd., has been commissioned to prepare the feasibility report for the pipeline which will have a capacity of 0.8 million tpa. The project is to be undertaken on an experimental basis.

WCL has also proposed to set up a plant for producing specialised smokeless fuel also known as domestic coke at Kanhan in Chhindwara district of Madhya Pradesh. Central Mine Planning and Development Institute Ltd. (CMPDIL) has prepared the project report for the proposed 250 tonnes per day plant. The project is still in the initial stages of planning and is yet to be cleared by the government.

■ *P.V. Satyanarayana*

The author is a Bombay-based management consultant

NEW ISSUES

Dr Beck & Co. (India) was promoted in 1956 by Mahindra & Mahindra (M&M) in collaboration with Dr Beck & Co. to manufacture synthetic insulations for the electrical industry. The company entered the export market in 1964 and since then has consistently won export awards. To cater to the widening export requirements, a new manufacturing unit was set up at Ankleshwar (Gujarat) in 1981.

The company was registered under s.26 of the MRTP Act on 17 October 1984. It is also a Fera company as more than 40% of shareholding is held by non-resident Indians. To escape the clutches of both MRTP and Fera, the parent companies are offering 6 lakh equity shares of Rs 10 each at a premium of Rs 45 per share. While Dr Beck is offering 3,47,273 equity shares, M&M is issuing 2,52,727 shares.

Today the company is a leader in the electrical insulation field. Its financial track record has been fairly good. Turnover has moved up to Rs 44.87 crores in the year ended 30 June 1988 as compared to Rs 26.11 crores in 1987 — a growth of 72%. Gross profit increased from Rs 2.04 crores to Rs 5.85 crores and net profit from Rs 1 crore to Rs 4.34 crores.

The company also issued bonus shares in the ratio of 1:1 augmenting the equity base to Rs 3.86 crores. The earnings per share on the expanded capital works out to Rs 8.19. In the past five years the company has consistently paid dividend of 37% (in 1988), 37% (1987), 18% (1986), 10.5% (1985), and 10.5% (1984).

During the first six months of the current year ending 31 March 1989, the company has chalked up a net profit of Rs 1 crore. Based on this performance, the net profit for the nine-month year could work out to Rs 1.50 crore or so. On an annualised basis, the net profit works out lower compared to that of the previous year.

The shares now being offered for sale will be eligible for dividend for the company's financial year ended 31 March 1989. As it is an offer for sale and not a fresh issue the allottees will be entitled for the full dividend. Last year, the company paid a dividend of 37%. If the rate of dividend is maintained then the company will have to pay around 28% for the nine-month period, which will involve an outgo of Rs 1.08 crores which is not at all difficult. As on 31 December 1988, the company's net worth per share was around Rs 38.5.

The premium of Rs 45 per share looks a little on the higher side but, based on the growth potential, the issue appears attractive.
Issue opening date: 5 June.

There are a handful of new issues worth investing in. Many of them are of existing, profit-making companies

Carona Ltd. is one of the leaders in the footwear industry and the second largest footwear manufacturer in the organised sector with sales of over 18 million pairs annually.

Recently, the company entered into a technical collaboration agreement with Puma AG Rudolf Dassler Sport of West Germany for the manufacture of sports and special application shoes.

A new plant with an installed capacity of 3 million pairs of shoes is being set up at Aurangabad at a cost of Rs 17.15 crores. It is expected to commence commercial production in the last quarter of 1989. This will be the second plant of the company. The other one is at Jogeshwari, Bombay. The project carries a 25% export obligation.

The company proposes to implement the new project in two phases. To part-finance the project, as also to obtain funds for modernisation and expansion, Carona is issuing 14% convertible debentures worth Rs 18.50 crores. Each convertible debenture will have a face value of Rs 80 and will be converted into two equity shares of Rs 10 each at a premium of Rs 30 per share at the end of six months from the date of allotment.

The company's performance over the past five years has been good. Turnover has moved up to Rs 50.5 crores in 1988 compared to Rs 29 crores in 1984. During the same period net profit has moved up from Rs 39 lakhs to Rs 103 lakhs.

The current market price of Rs 140 should not be taken as the basis for computing returns. It is not justified. The price is based more on technical factors. As around 68% of the shares are held by the Khatau family, the floating stock in the market is negligible and hence the high price. But with the quantum jump in equity not matched by a quantum jump in earnings, at least in the short run, fundamentals are bound to change bringing about a reduction in the market value of the share.

This is not to suggest that the issue is unattractive. The current price of the Carona scrip is, after all, a substantial Rs 140 and, based on the conversion price of Rs 40, the issue looks very attractive.
Issue opening date: 19 June.

Tata Iron & Steel Co. Ltd. is undertaking a major modernisation-cum-expansion programme which will raise its finished steel capacity from 2.1 million tonnes per annum (tpa) to 2.7 million tpa. This will be the third phase of the programme.

The first two phases that have been completed include the introduction of modern steel making technologies like the LD pro-

cess, continuous casting and vacuum degassing etc. and the installation of a modern finishing steel mill i.e. the bar and rod mill. In addition, various supporting facilities were either augmented or upgraded in the areas of raw materials, oxygen, refractories, etc.

The current phase of the programme involves setting up a wide hot strip mill of 1 million tpa capacity, augmenting the iron-making facilities by the installation of a new blast furnace and updating other infrastructural facilities. It is estimated to cost Rs 1,500 crores.

Of this amount, Rs 850 crores will be financed by internal cash generation, new loans from the Steel Development Fund and foreign loans. The balance Rs 650 crores (including 15% oversubscription retention) is being raised through a convertible debenture issue.

Convertible debentures worth Rs 205 crores are being offered on a rights basis to the shareholders and employees and partly convertible debentures aggregating Rs 360 crores are being offered to the public. The debentures carry interest at 12% per annum. For the rights issue, the debentures (face value Rs 600) will be automatically converted into one equity share of Rs 100 at a premium of Rs 500 per share on 1 February 1990. In the case of the public issue each debenture consists of a convertible portion of Rs 600 (part A) and a non-convertible portion of Rs 600 (part B). Part A will be automatically converted into an equity share of Rs 100 at a premium of Rs 500 on 1 February 1990. The non-convertible portion (part B) of the debenture will be redeemed at par at the end of eight years from the date of allotment.

Selling off the non-convertible portion on allotment would obviously be have to be done at a price less than face value. If it is assumed that a normal current yield on capital is 15%, the sale price works out to Rs 480 indicating a loss of Rs 120 per debenture. If this loss is added to the cost of the debenture, the cost per debenture becomes Rs 720 compared to the current market price of Rs 1,275.
Issue opening date: 5 June.

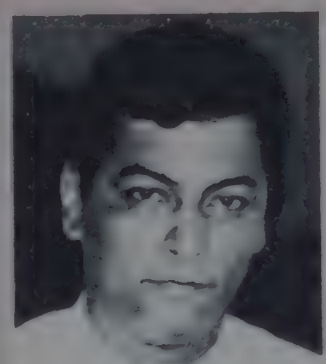
Hindustan Alloys is India's largest manufacturer of aluminium alloys. Its other products include aluminium alloy ingots, special anodes, etc.

The company commenced operations in September 1986 and within a short span has performed reasonably well. The company projects a turnover of about Rs 38 crores during the 15-month period ended March 1989, against Rs 16.81 crores during the year ended December 1987. The company has declared a 15% interim dividend for the current year.

The company has already completed the first phase of expansion. The second phase is on the anvil, after which the company will be able to attain maximum capacity.

To part finance the expansion the company is issuing 5.89 lakh 14% convertible debentures with a face value of Rs 200 each at par. Each debenture of Rs 200 will have three parts. Part A of Rs 80 will be converted into two equity shares at a premium of Rs 30 each within six months from the date of allotment. The amount of Rs 120 remaining in part B and C will be converted into two equity shares at a premium to be approved by the Controller of Capital Issues.

Assuming that the entire part of B and C are converted into one share each, the investor will receive four shares in all for a cost of Rs 200, giving an average price of Rs 50 per share against the current price of Rs 65. The long term prospects for this company appear reasonably good.
Issue closing date: 12 June.



Synthetics & Chemicals is the largest manufacturer of synthetic rubber in the country and is the only producer of styrene butadiene rubber (SBR). The company is now embarking on a massive expansion-cum-diversification programme costing Rs 200 crores, which will be implemented in two phases. It involves enhancement of production capacity from 30,000 to 80,000 tpa of SBR, 60,000 tpa of styrene, 40,000 tpa of polystyrene and 30 million litres of ethyl alcohol.

The first phase, for the expansion of SBR capacity at a cost of Rs 100 crores, is being part financed by a rights issue. This is expected to be completed by mid-1991. The company is issuing 18.36 lakh partly convertible debentures of Rs 100 each aggregating Rs 18.36 crores and 12.07 lakh equity shares of Rs 10 each at a premium of Rs 10 per share aggregating Rs 2.41 crores.

Each debenture comprises two parts — part A consisting of a non-convertible portion of Rs 60 and part B consisting of a convertible portion of Rs 40. The debenture will carry an interest of 12.5%.

The convertible portion of Rs 40 will be converted into two equity shares at a premium of Rs 10 per share on 1 January 1990. The non-convertible portion of Rs 60 will be redeemed in three equal annual instalments at the end of the 6th, 7th and 8th years.

The future prospects for the company appear bright in view of its massive expansion-cum-diversification programmes. The issue is recommended.
Issue closing date: 14 June

■ *Clifton Desilva*
The author is a Bombay based investment manager

BUSINESSWORLD STOCKMARKET TABLE

	INDUSTRY/COMPANY	FACE VALUE (Rs)	YEAR ENDED	SALES (Rs crores)	EQUITY CAPITAL (Rs crores)	COMPOUND GROWTH OVER 5 YRS.(%) IN EARNINGS	IN DIVIDENDS	EPS (Rs)	P/E 26 MAY	P/B.V 26 MAY	PAYOUT	SHARE PRICE 26 MAY (Rs)	MK.CAP 26 MAY (Rs crores)	%CH.CAP Over 12 MAY
I.	**AUTO ANC & TYRES**													
1.	CEAT	10	30 06 88	364 38	14.76	41 22	20 49	13 60	10 11	2 77	0.15	**137.00**	202 95	- 2.48
2	CHLORIDE	10	31 12 88	188 40	20 66	13 29	17 42	5.05	16 63	4 67	0 61	**84.00**	173 54	0 00
3.	MICO	100	31 12 87	183 73	38 05	18 24	10 22	33 88	17 12	2 67	0 35	**580.00**	220 69	- 4.92
4	MODI RUBBER	10	30 04 88	400 13	14 53	23 21	4.76	10.20	9 31	2.46	0 18	**95.00**	138.05	- 6.18
II.	**BASIC CHEMICALS**													
5	NOCIL	100	31 12 87	288 10	36 00	49 84	16 14	48 22	16 59	3 14	0 41	**800.00**	288 00	3 61
6	TATA CHEM	10	31 03 88	230 40	36 19	- 8 63	27 27	2 03	57 14	2 25	1 48	**116.00**	419.80	- 0.85
III.	**BASIC METALS**													
7.	HINDALCO	10	31 12 87	372 05	17 81	39 94	9 89	11 48	25 04	6 71	0 15	**287.50**	512 00	- 4 17
8.	INDIA FOILS	10	31 12 87	104 90	4 38	16 20	18 83	4 79	18 53	2 16	0 44	**88.75**	38 87	26 78
9.	MUKAND	10	30 06 88	303 02	14 74	20 11	12 76	8 08	14 29	7 50	0 21	**115.50**	170 25	4 06
10.	TISCO	100	31 03 88	1526 78	155 89	8 51	14 28	59 11	21 32	2 96	0 33	**1260.00**	1964 21	- 4.91
IV.	**CEMENT**													
11	ANDHRA CEMENT	10	31 03 88	43 55	11 94	N A.	100 00	11 93	0 92	1 42	0 00	**11.00**	13 13	0.00
12	ACC	100	31 07 88	798 13	55 96	- 19 68	3 67	12 24	26 14	0 87	0 64	**320.00**	179 07	- 1 84
V.	**CHEM INTERMEDIATES**													
13	BASF	10	31 12 87	59 30	4.26	10 15	15 88	4 83	30 43	4 48	0 28	**147.00**	62 62	- 1.34
14	COLOURCHEM	100	31 03 88	86 51	7 94	10 81	4 63	37 53	13 19	1 95	0 53	**495.00**	39 30	0 00
15	DEEPAK NITRITE	10	31 10 87	23 60	2 43	10 30	5 05	3 99	16 79	2 53	0 36	**67.00**	16.28	- 12.99
VI.	**COMM VEHICLES**													
16	BAJAJ TEMPO	10	31 09 87	152 91	6 58	- 25 31	4 06	2 64	57 29	2 05	0 47	**151.25**	99 52	5 21
17	MAH & MAH	10	31 10 87	599 28	19 26	1 11	9 40	5 76	16 58	2 06	0 38	**95.50**	183 93	- 5 45
18	TELCO	100	31 03 88	1402 55	104 62	4 92	12.24	25 76	30 76	2 93	0 48	**792.50**	829 11	- 4.81
VII.	**CONS DURABLES**													
19.	ASIAN PAINTS	10	31 12 87	201 72	12 45	32 95	30 02	10 07	17 63	4 88	0 30	**177.50**	220 99	- 5 33
20	PEICO	10	31 12 87	385 93	33 32	1 54	- 8.12	1 04	20 19	1 08	0 96	**21.00**	69 97	- 8 70
21.	VIP INDUSTRIES	10	31 07 88	67 42	5 99	- 4 21	N A	1 22	14 14	0 91	1 23	**17.25**	10 33	- 9.23
VIII.	**COTTON TEXT**													
22	CENTURY SPG	100	31 12 88	521.27	26 62	15 65	14 96	97 82	18 96	3 15	0 31	**1855.00**	493 80	1 37
23.	MADURA COATS	10	30 06 88	258 49	21 81	11 31	15 56	6 49	15 45	3 46	0 46	**100.25**	218 65	0.25
24.	RAYMONDS	10	31 03 88	235 71	22.48	15.95	34 70	3.43	23 40	2 58	0 73	**80.25**	180 40	0 31
IX.	**DOMES CONS PROD**													
25	COLGATE	10	31 12 87	182.20	15.72	27 89	24 19	9 63	35 05	17 17	0 52	**337.50**	530 55	1.12
26.	HINDUSTAN LEVER	10	31 12 88	1001.78	93.32	11 61	23 44	5.23	15 87	3 83	0 61	**83.00**	774 56	1.84
27.	ITC	10	30 06 88	1190 45	33.17	20 17	13 21	7 47	13 39	3 60	0 47	**100.00**	331 70	4.17
28.	McDOWELL	10	30 06 88	157 19	7 74	- 1.73	39 89	9 23	10 83	1 89	0.18	**100.00**	77 40	0.00
29.	RECK & COLMAN	10	03 01 89	71.39	8.40	25.00	27.05	8.10	23 58	7 27	0 37	**191.00**	160.44	0.53
X	**ELEC. ENGG**													
30.	BEST & CROMP	10	31 12 87	169 21	7 09	- 20 75	- 7.07	1 10	36 36	1 09	0 58	**40.00**	28 36	- 4.77
31	FINOLEX CAB	10	30 11 87	68 84	3.24	50 69	32 42	25 22	12 99	6 37	0 09	**327.50**	106 11	- 9 03
32.	GENELEC	10	30 06 88	52 70	2 16	12 13	- 0 86	6 48	6 56	1 20	0 23	**42.50**	9.18	- 5 56
33.	OTIS	10	30 11 87	54 28	5.04	18 55	15 36	7.58	27 04	7 05	0 33	**205.00**	103 32	2.50
34	SIEMENS	10	30 09 88	223 00	20.77	4 23	11 29	3.27	21 71	1 86	0 49	**71.00**	147.47	- 5.33
XI	**EQUIP. MANUF**													
35.	INGERSOLL	10	31/12/87	77.14	7.89	21 93	15.81	10 99	32 30	9 59	0.27	**355.00**	280 10	3 65
36.	KIRLOS CUMM	10	30 09 88	186 20	26 40	6.01	20.56	4 32	17 36	2 87	0 52	**75.00**	198.00	0.00
37.	MATHER & PLATT	10	30 06 88	46.92	10.24	15.18	16.31	3.60	11 67	2 57	0.43	**42.00**	43.01	- 8.68
XII.	**FERTILISER**													
38.	GSFC	10	31/12/87	357.40	26.94	23 47	15 88	13 07	11 29	2 02	0.23	**147.50**	397.31	4.43
39.	SPIC	10	31/12/87	391 00	34.42	- 23.16	N.A.	1.47	35 71	1 78	1.01	**52.50**	180.71	- 6.25
XIII.	**FOOD PROD**													
40.	BRITANNIA	10	30/11/87	192.10	12.38	23 92	16 60	6.37	14 52	3.43	0.38	**92.50**	114.52	- 7 50
41.	BROOKE BOND	10	30/12/88	639.94	24.73	24.33	15.97	9 84	14 74	5.07	0.38	**145.00**	358.59	0.00
42.	HIND COCOA	10	30/06/88	73.70	8.40	16.55	21 10	4 45	22.92	4.78	0 45	**102.00**	85.68	- 0.49

SHARES SAG

The sagging trend in equities persisted during the fortnight ended 26 May. In the absence of aggressive purchases by the financial institutions, pivotals continued to seek lower levels.

Confirming the subdued trend in equities, *The Economic Times* index of ordinary shares (1984-85 = 100) moved down from 396 on 12 May to 384.8 on 26 May — a loss of 2.82%. Following suit, the *Financial Express* index declined from 577.66 to 564.79 during the same period. The announcement of simultaneous book closures by Tisco and Telco dampened the market sentiment. The *BW* index dropped from 196.96 to 194.02.

The main feature of trading during the fortnight under review was the sharp decline in the share values of Tisco, which nosedived from Rs 1,325 to Rs 1,260 in view of the forthcoming issue of rights shares. Small investors were anxious sellers in

BUSINESSWORLD STOCKMARKET TABLE

	INDUSTRY COMPANY	FACE VALUE (Rs)	YEAR ENDED	SALES (Rs crores)	EQUITY CAPITAL (Rs crores)	COMPOUND GROWTH OVER 5 YRS (%) IN EARNINGS	IN DIVIDENDS	EPS (Rs)	P/E 26 MAY	P/B V 26 MAY	PAYOUT	SHARE PRICE 26 MAY (Rs)	MK CAP 26 MAY (Rs crores)	%CH CAP Over 12 MAY
XIV	HEAVY ENGG PROJ													
43	ELECON ENGG	10	31/12/87	113.00	5.65	0.89	13.60	4.60	13.91	1.19	0.33	64.00	36.15	12.30
44	GAMMON	10	30/07/88	103.22	2.16	1.84	2.38	2.73	40.29	1.50	0.66	110.00	23.76	12.00
45	HIND DORR	10	30/11/87	42.66	2.38	25.48	14.03	16.43	7.91	2.34	0.23	130.00	30.94	-10.34
46	ALFA LAVAL	10	30/11/87	51.00	5.21	15.13	15.63	5.37	20.48	2.83	0.34	110.00	57.31	-13.73
XV	LIGHT ENGG													
47	SKF BEARING	100	31/12/87	83.86	24.70	15.64	7.60	43.89	30.76	6.05	0.25	1350.00	333.45	8.00
48	BHARAT FORGE	10	30/09/87	120.10	11.42	33.86	6.63	5.76	18.23	3.14	0.22	105.00	119.91	-2.33
49	IND OXYGEN	10	30/09/87	131.00	14.60	-9.51	1.03	2.16	23.38	2.38	0.74	50.50	73.73	3.06
50	SANDVIK ASIA	100	31/12/88	45.81	5.78	9.31	12.33	46.89	14.40	2.68	0.53	675.00	39.02	4.92
XVI	MULTI PRODUCTS													
51	IEL	10	30/09/87	478.41	40.87	-17.55	3.37	1.24	44.35	1.95	1.06	55.00	224.79	11.29
52	LARSEN & TOUBRO	10	30/09/87	573.10	60.75	7.47	15.43	4.55	19.34	2.39	0.41	88.00	534.60	-2.22
53	RALLIS	10	31/05/88	261.66	9.52	14.72	20.80	4.86	29.84	3.62	0.62	145.00	138.04	3.57
54	VOLTAS	100	31/08/88	544.70	12.78	16.68	12.34	75.89	8.57	1.88	0.29	650.00	83.07	-1.52
XVII	PASS VEHICLES													
55	BAJAJ AUTO	10	30/06/88	552.83	18.82	30.54	28.68	15.54	23.73	3.22	0.26	368.75	693.99	-8.95
56	KINETIC ENGG	10	30/06/88	101.91	1.20	22.51	21.92	31.33	5.67	1.10	0.13	177.50	21.30	2.74
57	HIND MOTORS	10	31/03/88	429.99	26.41	N.A.	-7.20	1.02	38.73	1.32	-0.74	39.50	104.32	-2.47
XVIII	PEST & AGROCHEM													
58	BAYER	100	31/12/87	111.70	16.22	9.38	12.80	27.19	30.53	4.92	0.59	830.00	134.63	-1.19
59	SEARLE	10	31/12/87	35.00	5.22	35.23	20.34	5.34	20.13	2.76	0.25	107.50	56.12	-6.51
XIX	PHARMA													
60	GLINDIA	10	30/06/88	230.13	20.00	14.50	8.10	5.08	18.41	3.92	0.39	93.50	187.00	-2.09
61	HIND CIBA	100	31/12/87	176.80	17.71	6.26	13.26	38.17	25.41	3.47	0.52	970.00	171.79	4.90
62	HOECHST	100	31/12/87	158.81	9.58	-16.27	-6.52	13.67	55.96	2.07	0.73	765.00	73.29	-4.37
XX	PLANTATIONS													
63	ASSAM CO	10	30/06/88	46.88	7.00	39.73	42.02	7.59	18.77	3.16	0.53	142.50	99.75	-8.06
64	McLEOD RUSSEL	10	30/06/88	61.50	6.25	34.22	24.65	10.32	10.90	2.46	0.35	112.50	70.31	7.13
65	TATA TEA	10	31/12/87	151.10	12.20	24.81	N.A.	9.04	17.04	2.80	0.50	154.00	187.88	1.65
XXI	PLASTICS & PAPER													
66	BALLARPUR	10	30/06/88	371.00	13.98	-3.45	-1.17	3.44	56.69	3.36	0.64	195.00	272.61	13.04
67	BHADRACHALAM	10	30/09/87	48.85	10.57	-4.64	7.84	4.16	18.03	3.13	2.00	75.00	79.28	-6.24
68	GARWARE POLY	10	30/06/88	102.82	10.94	19.25	23.48	5.29	12.76	2.09	0.29	67.50	73.85	-3.56
69	SUPREME IND	10	30/06/88	68.92	1.80	32.68	31.43	18.67	11.11	4.55	0.19	207.50	37.35	-5.68
XXII	POWER GENERATION													
70	CAL ELEC SUPP	10	31/03/88	358.72	16.95	9.44	10.82	4.93	4.61	0.46	0.32	22.75	38.56	-18.75
71	TATA POWER	100	31/03/88	342.42	20.00	14.09	11.91	86.10	3.77	0.67	0.21	325.00	65.00	2.99
XXIII	SERVICE IND													
72	EAST IND HOTELS	10	31/03/88	80.25	23.61	1.77	3.69	2.94	19.73	2.16	0.52	58.00	136.94	3.57
73	HDFC	100	30/06/88	106.20	19.79	33.12	27.37	65.45	3.36	1.01	0.26	220.00	43.54	11.13
74	20TH CENT FIN	10	31/03/89	26.35	8.88	24.30	32.06	4.00	6.25	1.10	0.55	25.00	22.20	19.03
75	TATA UNISYS	10	31/12/87	27.12	4.38	-1.18	12.19	3.54	21.89	4.24	0.62	77.50	33.95	6.90
XXIV	SHIPPING													
76	ESSAR SHIP	10	31/12/87	60.50	33.42	8.46	25.04	2.33	9.55	1.04	0.86	22.25	74.36	-4.30
77	GR EASTERN	10	30/06/88	112.55	55.66	12.54	7.85	1.69	24.11	2.39	0.51	40.75	226.81	1.87
XXV	SYNTHETIC TEXTILES													
78	CENTURY ENKA	100	31/12/88	308.79	16.61	37.53	20.82	223.24	11.13	3.69	0.19	2485.00	412.76	-4.42
79	GRASIM	10	31/03/88	675.27	37.78	16.35	6.46	4.39	27.79	3.08	0.36	122.00	460.95	-2.40
80	RELIANCE	10	31/06/88	1778.19	152.04	15.36	42.28	3.45	34.49	1.78	0.70	119.00	1809.28	-3.25
	TOTAL			23007.22	1799.56								17955.06	

BUSINESSWORLD INDEX (26 MAY) = 194.02 12 MAY = 196.96 (BASE 29 JUNE 1987 = 100)

EPS = EARNINGS PER SHARE P/E = PRICE EARNINGS RATIO P/B V = MARKET PRICE TO BOOK VALUE %CH CAP = PERCENTAGE CHANGE IN MARKET CAPITALISATION

order to be able to subscribe to the rights issue. As a result, basic metals shares showed a depressed trend.

Transport vehicles shares also exhibited a bearish trend on tired bull liquidation and the absence of fresh speculative support. Consequently, the *ET* index for these scrips plunged from 364.7 to 341.6.

Engineering goods shares were distinctly bearish despite the encouraging results shown by some leading companies. Even at low levels, the shares were devoid of investment support. The *ET* index for these scrips tumbled from 442.1 to 432.9.

Cotton textiles shares were in bad shape on investment offerings. Consequently, the *ET* index for these scrips fell to 212.5.

In sharp contrast to the downward trend elsewhere, plantation shares rose on fresh speculative support. The *ET* index for these scrips improved from 320.4 to 326.5.

■ *S. Dhruv*

PARIAH SECURITIES

The figures are certainly tantalising. Fifteen stock exchanges, 10 million investors, over 6,000 listed companies, and a collective market capitalisation of over Rs 60,000 crores at the last unofficial count.

But there's a flip side to the picture as well. The scrips of over half the listed companies are never traded at all. Ever. Of the 10 million shareholders, a good bulk probably wish they weren't shareholders at all, saddled as they are with untradable pariah securities. And that holds good not merely for the novices who tried to ride the roaring bull markets of 1985, but the pros as well.

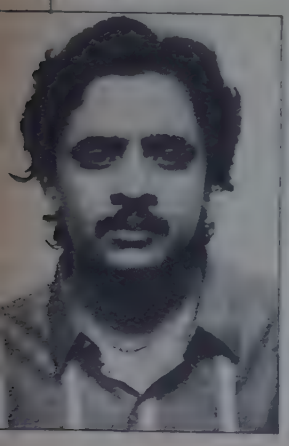
Meet Yogesh Mathuradas Kapadia, a 26-year-old who manages his family's Rs 2 crore plus portfolio in Bombay. "Rs 4 lakh worth of shares (held by us) are unsaleable," laments Kapadia. Among the dud securities Kapadia is the unproud owner of: Surya Credit, Suraj Generator, Sewa Paper and Samrat Bicycles, some of which were acquired through private placements. "If this is our plight," asks Kapadia, who hails fron a seasoned investor family, "what about the numerous investment-illiterate investors?"

ILLIQUID PORTFOLIO

Bombay-based Anil Kumar Varma doesn't quite consider himself an investment-illiterate. But he well might have been. His entire portfolio of shares, built during the 1985 stockmarket surge at an investment cost of Rs 17,000, is illiquid. "I have nearly written them off," he says.

And he has lots of company. The Indian capital market is awash with untradable securities, not only in the form of bumf shares, but other unloved paper as well. In Bombay alone, of the 3,500 securities listed on the stock exchange, over 50% are stagnant and unquoted for as long as anyone can remember. "Many of these remain so for years together," says M.R.Mayya, executive director of the Bombay stock exchange (BSE).

KAPADIA (L) & VARMA HAVE SEVERAL DUD STOCKS ON THEIR HANDS





The capital market is awash with untradable securities, raising basic questions about how mature it is

Taking all securities on all stock exchanges, just about 490 of them are traded frequently. Of this 490, less than a fourth of them — the 122 more volatile and frequently traded scrips in the prestigious forward list — account for a whopping 80% of the turnover. And of this 80%, 25 scrips alone account for three-fourths. "This means 60% of the turnover on the nation's exchanges is confined to these 25 blue chips," says Mayya.

Broadly, the list of immobile scrips falls into four categories:

■ **Fixed income securities**. These would include the corporate preference shares that have now almost gone out of vogue, as well as the more common non-convertible and convertible debentures. While preference shares have become the least preferred (since their interest rates now bear little relationship with current market rates for comparable paper), bonds and debentures are only marginally more tradable (see table, p 93).

■ **Government paper**. These include a host of treasury bills, central and state government loans, bonds floated by the various state electricity boards, state financial corporations, etc. These securities are untradable not only because they are intrinsically so, but because banks and the financial institutions are required to maintain a certain proportion of their assets in this form. Says Shitin Desai, director of the Bombay-based DSP Financial Consultants Ltd: "The institutions are the largest holders of government paper and corporate debentures, but they hardly ever disinvest."

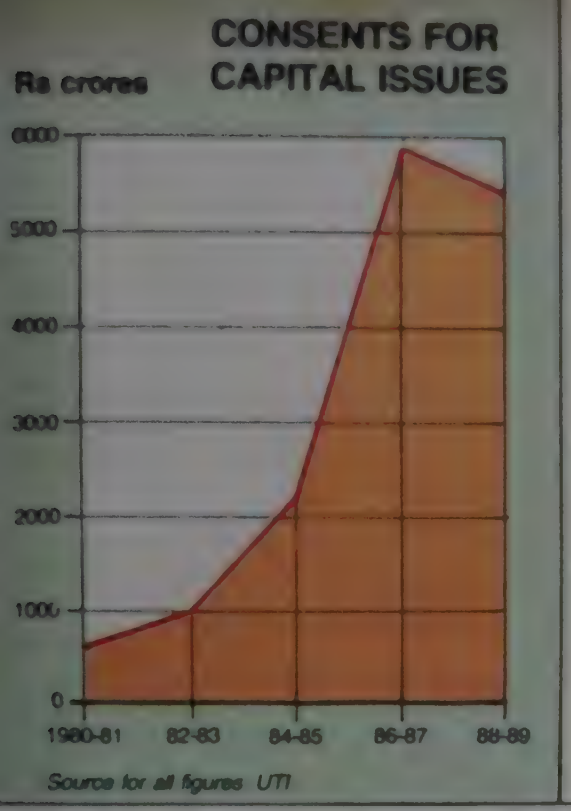
■ **Odd-lot shares and bonds**. On the main exchanges, shares and securities are traded only in fixed lots of 50 or 100 shares (5 or 10 in the case of shares with a face value of Rs 100). But the issue of bonus and rights shares in odd proportions, the partial conversion of convertible debentures and the deliberate policy of some companies in the past of allotting odd-lots in public issues have created an ocean of untradable shares.

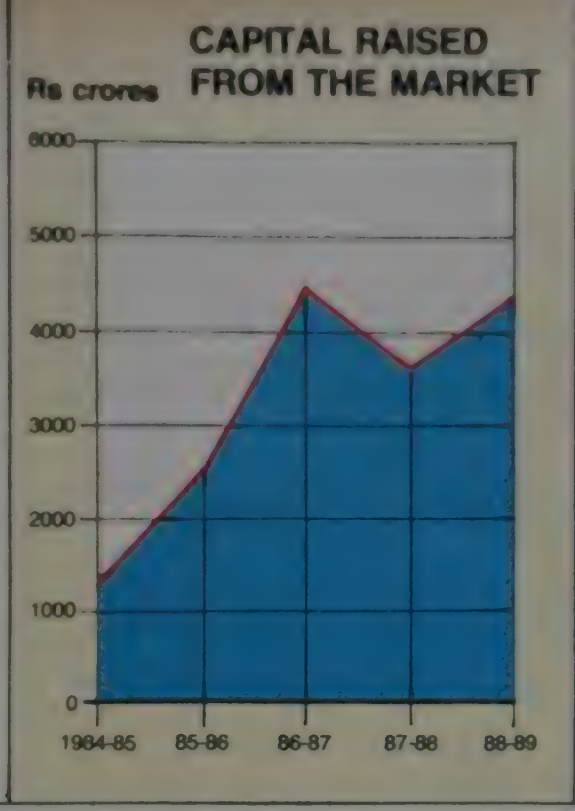
■ **Fundamentally untradable scrips**. Among others, these comprise the shares of companies which may be nominally quoted on the exchanges, but where the bulk of the shareholdings are bottled up by the promoters themselves or with their associates. For example, Wipro Ltd. is quoted on the Bombay stock exchange, but very little trading actually takes place in it. A sub-category would be the temporarily untradables: shares of companies or entire industries that have virtually given up the ghost. For example, it is very difficult to find buyers for leasing shares, barring one or two of the industry leaders.

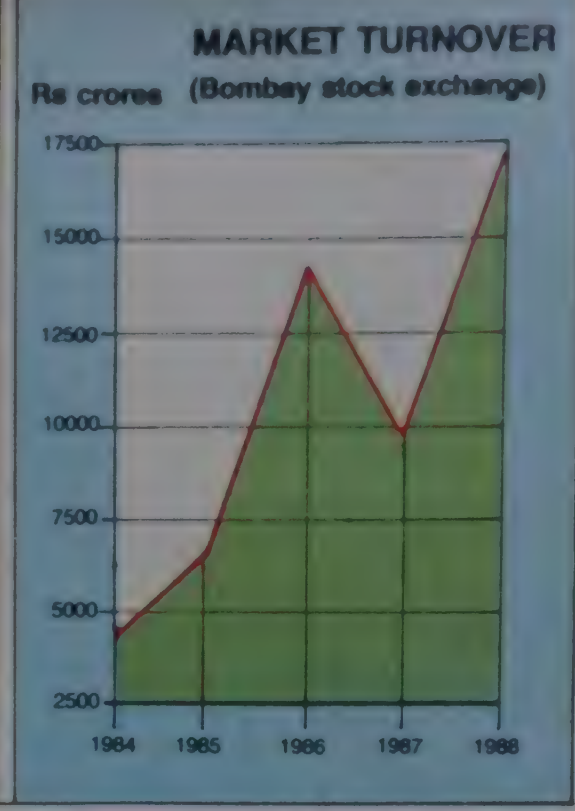
Trading volumes may be soaring, the share indices may be heading skywards, and stock exchange listings may be at all-time peaks, but these are no guarantee that the capital market can fulfil one fundamental function: of ensuring the liquidity of securities. That can happen only if a judicious mix of financial and stockmarket reforms and sensible automation is pushed through to ensure across-the-board tradability of securities.

Huge administrative costs resulting from endless paperwork burden the stockbroker to such an extent that it makes him reluctant to create markets for unglamorous securities either by jobbing (a jobber is a specialist in some scrips and offers two-way quotes in them) or by making bids (for buying) or offers (for selling). Transactions have to be recorded in as many as 16 books, making small business unrewarding. "Stockbrokers are wary of entertaining deals in shares which yield a pittance as brokerage," says Shitin Desai (quoted earlier).

Stockbrokers, however, need not always take the whole rap. Some





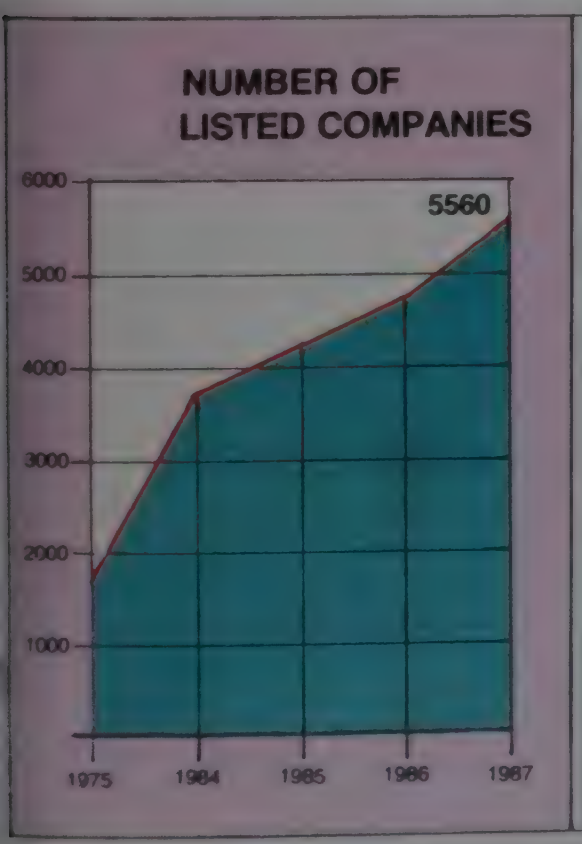


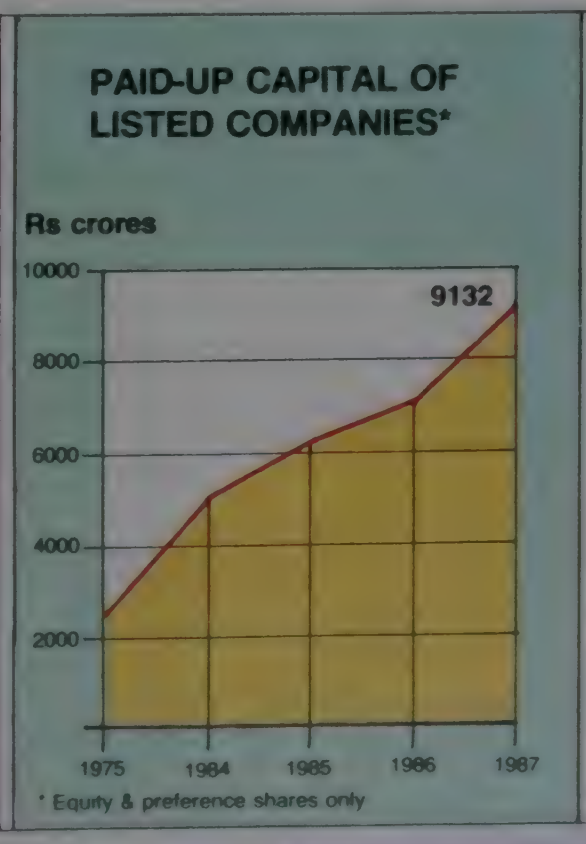
securities become intrinsically untradable for other reasons. For example, stocks of companies which have sunk into the red or have become fundamentally weak do not get traded and it isn't unusual. The lack of liquidity in the stocks of the dime-a-dozen leasing companies is thus easily explainable. The fortunes of the leasing industry have been on the descendant and lease rentals have sunk to an all-time low.

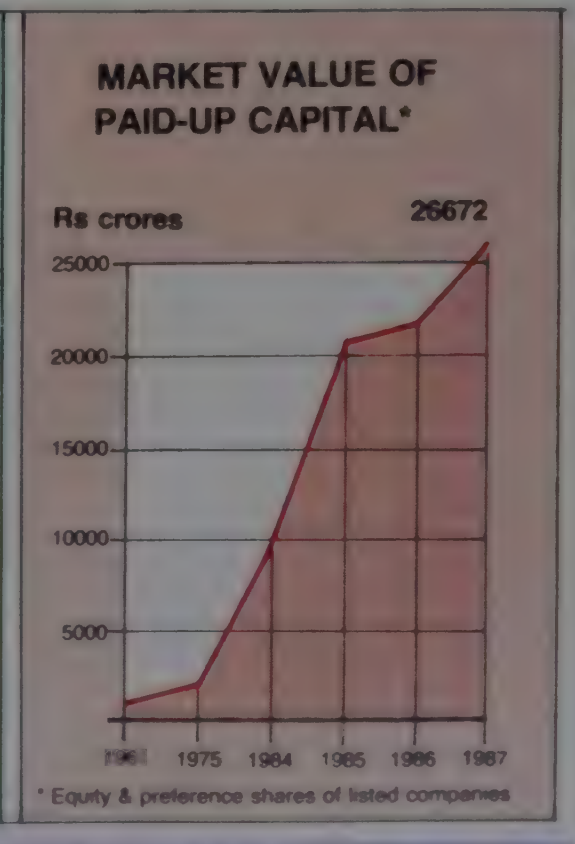
WOUND LICKING

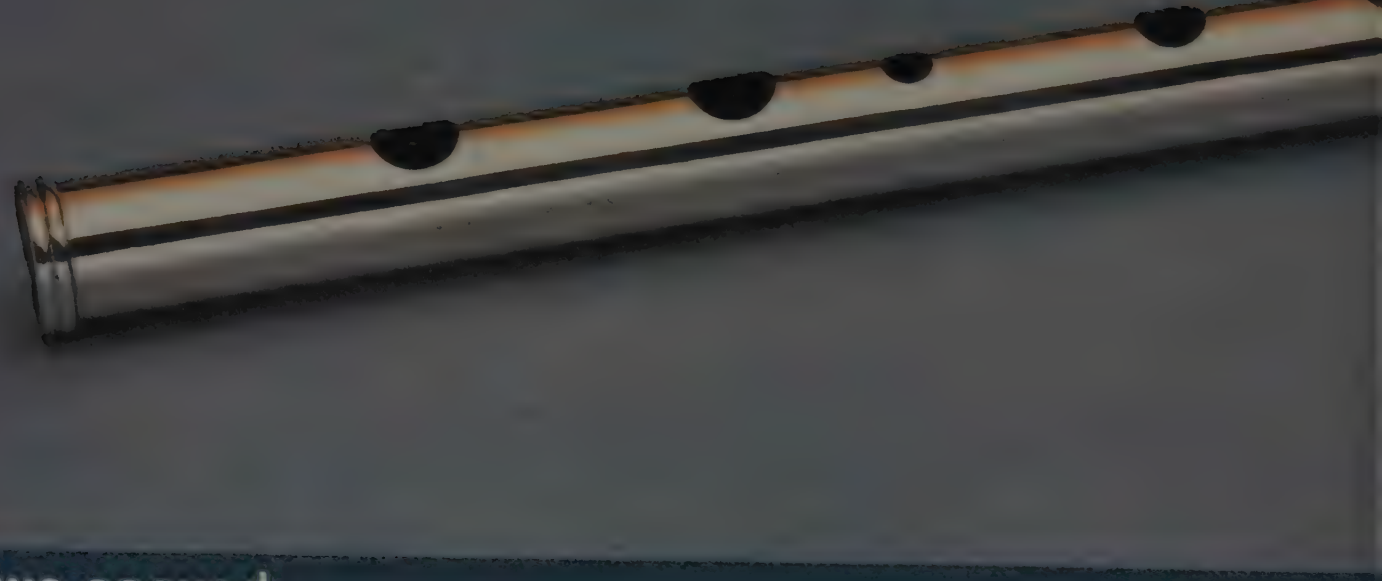
A much larger category of immobile shares emerged from the equity boom of 1985, and the subsequent bust that followed. The boom sucked in a lot of first-time investors with little knowledge about shares and markets. They invested in anything and everything, and are now stuck with unsalable shares. The inevitable bust of 1987-88 that followed saw investors retiring hurt to lick their wounds. The result: many new issues were undersubscribed and the underwriters had to mop up all the shares that devolved on them, thus reducing the floating stock. "Devolved issues add to the illiquidity in the stockmarkets," observes Desai of DSP. "These shares will get traded only when their fortunes change for the better."

One sure way of resuscitating the untradables is to usher in market makers, or specialist dealers, in all the listed securities. These specialists, like traditional jobbers, should be able to provide, on a continuing basis, two-way quotations in the securities concerned (see box, p 93), imparting liquidity to the shares. A decision to force companies issuing new capital to appoint market makers was taken by the standing committee of the presidents of 15 stock exchanges way back in December 1987, but little has come of it. The idea won't work unless fundamental-problems are tackled first. Among them: the question of offering base stock to market makers and deciding on the spread between 'buy' and 'sell' rates. A more basic problem is that many stockbrokers simply do not have the time or the database necessary to be able to assess the fundamentals of shares and trade in them. That's why they prefer to deal in the small number of scrips they know something about. Says









In steely silence, we coaxed a windsong all our own.

Nothing embodies innovation better than music. A street musician and a maestro, both share the same basic notes. But only a maestro explores pathless spaces to bring back beguiling permutations and combinations of harmonies never heard before. In steel making, Mukand has done the same.
Always coaxing a different, adventurous note.
Always calling the tune.
That's why, as early as the mid 1960s, Mukand dared to go against the accepted route of steelmaking and pioneered the continuous casting process – a process still in its infancy in the west. By the early 1970s, Mukand had no only carved a unique niche i itself as a modern steel plar but was also providing technical know-how to fledgling mini-steel plants. Today, Mukand is in special steels, machine building, engineering construction an

M U K



pecial steel castings. Today,
gh quality engineering
teels like spring steel, leaded
teels, cold heading quality
and electrode quality
tainless steel, need not be
ported. In fact, some of
se special steels are
ported to developed coun-
es like the USA and Japan.

Today, mobile service structures for rocket assembly or rapid electrolytic descaling of wire rods, or stainless steel piping for nuclear plants is a reality. Today, computerised steel making is no big deal. Because of Mukand. Because Mukand dared to take the first steps. Dared to call the tune.

A N D

Special Steels
Machine Building
Castings
Engineering Construction

MUKAND LTD.
MASTERMINDS IN STEEL

Ref:Mukand/M/7621



THE INSTITUTIONS MUST DO MORE, FEELS DESAI

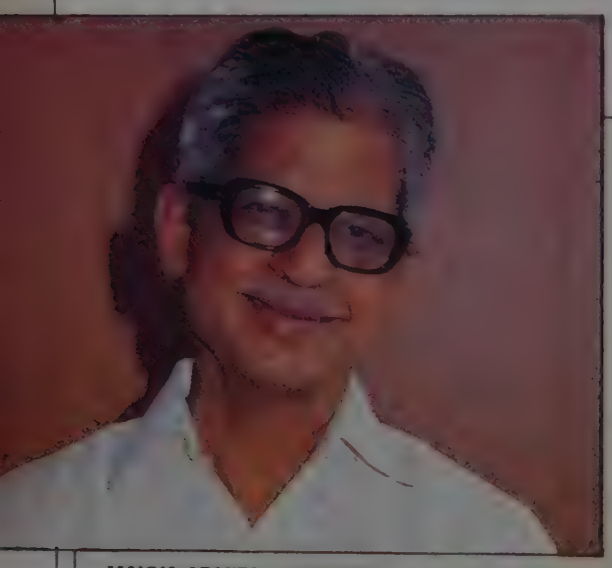
Mahendra Kampani, director of J.M.Financial & Investment Consultancy Services and past president of the Bombay stock exchange: "Ignorance compounds the crisis of untradability. How else would you explain the low-key response to Boosts?"

Boosts (acronym for Bid and Offer Online System for Thinly traded Securities), as the name itself suggests, was intended to liven up trading in sparsely traded equity when it was green-flagged in early 1988 (see box). The system operates through a comprehensive computerised database on thinly-traded and untraded shares and disseminating information on their bid and offer prices. But, thus far, exchange members have responded bearishly. Brokers maintain that the mismatch between bids and offers is the prime reason for their poor response. Manish Shah, a Bombay broker, says he had put in a bid for 2,000 shares of Dhranghdara Chemical Works (DCW) when it was thinly traded, but the bid failed to elicit a matching offer.

Kampani, however, dismisses such reasons as being only partially true. Says he: " Brokers are interested only in quick money and have no time for Boosts." Whatever be the real reason, Boosts lies moribund.

Illiquidity of corporate paper has yet another ominous dimension — of odd-lots. A vast number of odd-lot shareholders were born during the 1985 boom, when the stock exchanges, in their zeal to spread the equity cult, encouraged companies making public issues to allot shares to the maximum number possible. Though this folly is now being corrected, some companies appear to have developed a vested interst in creating untradable shares. The obvious attraction of such a move for companies is that it reduces selling pressure in their shares after an issue is allotted. For instance, Reliance Industries and Oswal Agro have allotted convertible debentures in such a manner as to create thousands of odd-lot holders post-conversion. And strangely, the BSE authorities have done little to prevent this except for shooting off correspondence in various directions.

Odd-lots are the bane of the investing public in that both buyers and sellers in these scrips are at the mercy of



MAYYA ADMITS A FAILURE

INEFFECTIVE BOOSTS

Some solutions fail for want of effort. Boosts is one of them. An acronym for the Bid and Offer Online System for Thinly traded Securities, Boosts was supposed to be a high-tech solution to the problem of getting untradable scrips moving. It hasn't done anything of the sort. Confesses the Bombay stock exchange's executive director M.R.Mayya: "Boosts has failed to deliver."

Boosts operates on the simple principle that dissemination of information is the key to getting the untradables traded. In other words, information on who is willing to buy or sell what scrip at what price and in what quantities. Members of the exchange put in their bids (to buy) or offers (to sell) in the prescribed format, indicating the security and the number they are interested in. This data is fed into PCs stationed at the stock exchange's trading hall. All the bids and offers are displayed periodically and matched. If there are multiple bids and offers, the lowest ones are displayed first. Where bid and offer rates match, a deal can be put through. Where the rates match but the quantities offered for sale and purchase do not, the deal is put through partially, with the unmatched portion being carried forward (usually up to 15 days).

Handicap. However, Boosts has one handicap: bids and offers have to be in marketable lots only. "Boosts is not for odd lots," explains Mahendra Kampani of J.M.Financial. Nevertheless, the system could have worked if stockbrokers had shown greater eagerness to make it work. The stock exchange authorities, for their part, have tried to give it a boost by making available to each member printouts showing bids and offers of securities, including unmatched ones. But the efforts are going down the drain, given the discernible lack of interest among brokers. "It is true that brokers, already overburdened by paperwork, find little time for Boosts," admits Mayya. But, most brokers cite inadequate returns, owing to small and infrequent enquiries, as being responsible for their lukewarm reception.

This absence of interest apart, BSE records show ample evidence of the mismatch between bids and offers, which has kept trading volumes on Boosts down too. "We had punched about 30 offers over the past 18 months, but not one has matched," says Nemish Shah. The gross figures tell the same story. To date, about 150 members have collectively put through barely 500 deals valued at Rs 20 lakhs.

One solution could be to make the use of the bid-offer database mandatory, at least for selected brokers. Besides, the financial institutions and mutual funds could be roped into the act by communicating bids and offers on a continuing basis to them so that they can match some of them to their own requirements. "With the financial institutions foraying into the exchanges as members, this does not seem wishful thinking," says Kampani.

Hopefully, that will obviate the need to give Boosts the boot.

PARIAH SECURITIES (1989)

	Listed*	Traded
Government securities	314	16
Convertible bonds	114	5
Corporate debentures	923	110
Preference shares	266	2

* Those listed on the BSE's official list

avaricious jobbers. A seller of odd-lots, if at all they are salable, usually realises about 20% less than quoted prices. A buyer of odd-lots, likewise, has to pay through his nose that much more. "Even in traded counters, odd-lots are not freely traded," says Ashok Pradhan, manager (investment), General Insurance Corporation (GIC).

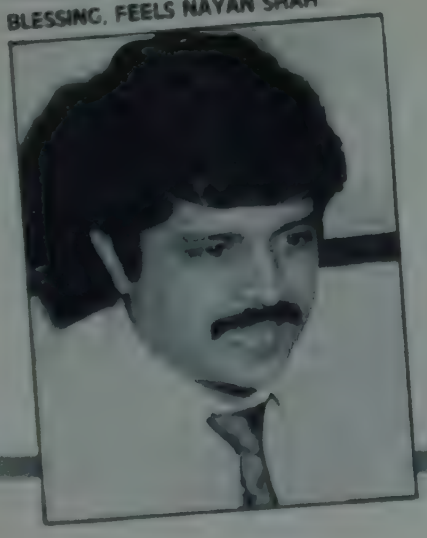
Estimates vary of the total size of odd-lots held by the public, but the general consensus is that it could be as high as Rs 4,000 crores worth in terms of nominal market capitalisation (as opposed to the realisable value). If 15%-20% is the average loss to be borne by sellers or buyers of odd-lots, that's a phenomenal Rs 400-800 crore loss to the investing public.

In a bid to usher in an organised market for odd-lots, the BSE appointed on 1 September, 1987, 16 members of the exchange as odd-lot dealers. It is mandatory for them to accept business in odd-lots and follow the detailed trading code.

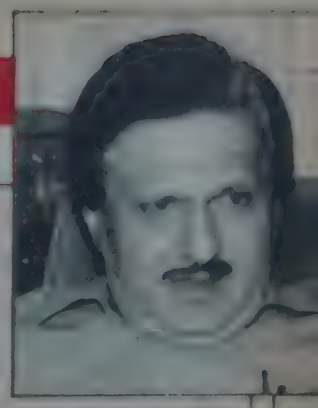
Keen to underwrite the success of the scheme, the BSE is busy persuading listed companies based in Bombay to cooperate by whittling down the time taken by them for splitting or consolidating odd-lots to a fortnight. The exchange is also negotiating with commercial banks for providing financial assistance to odd-lot dealers to enable them to get over temporary cash crunches.

However, everything is not hunky-dory for odd-lot shareholders. "At times, odd-lot sessions are not held at all," says Kampani of J.M.Financial. He's right. The special 1-hour

MARKET MAKERS NOT AN UNMIXED BLESSING, FEELS NAYAN SHAH



WANTED: MARKET MAKERS



KAMPANI IS ALL FOR MARKET FORCES

To thaw an illiquid market, the wise men came up with a solution: appoint market makers, or specialists who can offer two-way quotes on a scrip to create a market for it. Companies, however, aren't tripping over one another to oblige.

Though the appointment of market makers is now a part of the listing agreement with stock exchanges, barely a handful of companies have done so. "We are going slow on this," admits M.R.Mayya, executive director of the Bombay stock exchange (BSE). But the plans are to get tougher in the future. "We will aim for a no-market-maker-no-quotation position," he adds. Nevertheless, a beginning has been made with a handful of companies appointing market makers.

"We are probably among the first few to have a market maker," says S.K. Shelgikar, advisor to the board of directors of Videocon Appliances Ltd. (VAL), which has just named Nemish Shah of Enam Financial Consultants Pvt. Ltd. to make a market for its shares. A few others may follow suit soon.

To be sure, the market maker isn't exactly a new species being added to existing assorted range of bulls, bears, stags, etc., that form a part of the stockmarket menagerie. Jobbers, who as specialists in certain securities offer two-way quotes, are also market makers in the broad sense of the term. But, by and large, they prefer to operate in scrips where the turnover is already high so as to maximise their profits. Not for them the uncertain world of market making in non-descript scrips.

Real problem. But there is a real problem as well. To develop a market, a market maker needs a base stock of shares to be able to offer quotations. That could, in effect, mean that companies making new issues should offer firm allotments to their designated market makers. And since it involves the sinking of funds in the base stock, liberal bank finance to the market maker is also a must.

The mandarins of the finance ministry are not unaware of this, but there is apparently some divergence of views as to how much base stock a market maker needs. "Ideally, 1% of the share capital," says Nemish Shah. The presidents of various stock exchanges, however, feel that a higher figure is called for. They have 2%-3% in mind. "Even 1.5% would be adequate for widely held companies," says Mayya.

Even as the haggling goes on backstage, it is still possible to have stopgap market makers in the form of bankers who manage and underwrite public issues. Even companies could get into the act, as Cifco does: it is a sort of market maker both in its own shares and in that of its associate company, V.B.Desai Financial Ltd.

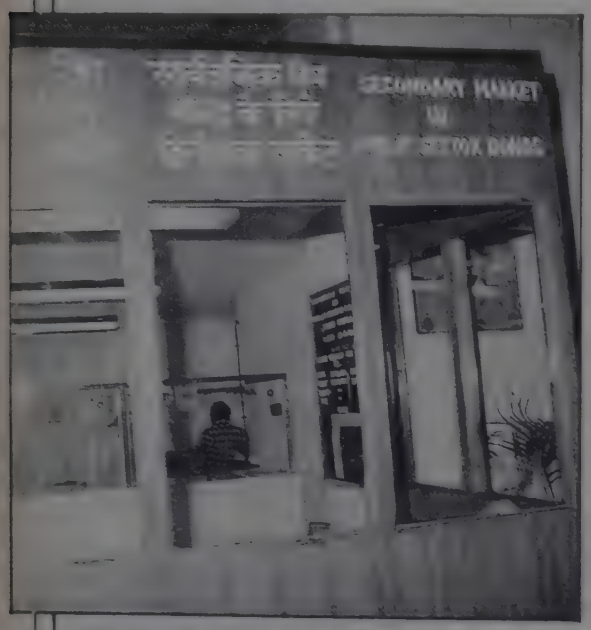
But these are stray cases. More people would, perhaps, be willing to act as market makers if the spreads — the margins between buy and sell quotes — were higher. Opinion is divided on how high this should be, and the divergence ranges from 0.5% to 5%. But controls on spreads are the last things one needs in a basically illiquid market. " The spread is better left to be decided by market forces," says Mahendra Kampani of J.M.Financial.

There are some who believe that, on balance, market makers may be a bane rather than a boon. With lots of base stocks to play with, if market makers establish a nexus with the company whose scrips they deal in, they could rig prices to the detriment of the common investor's interests. " They could add a new facet to insider trading " says Nayan Shah, Cifco's executive vice-president. But as of now, market makers are too rare a species to warrant proscription.

PLAYING OVER THE COUNTER

In the west, there is nothing literal about the term over-the-counter (OTC), at least as far as securities trading is concerned. OTC usually means screen-trading by computer in securities which are generally untraded and unquoted on the main exchange. In India, however, OTC connotes OTC. Almost literally.

There are currently only three significant players in the organised sector of the OTC market: the State Bank of India (SBI), which operates OTC counters at 12 major cities for dealing in four public sector bonds; Cifco, which deals in units of the



SBI'S PUBLIC SECTOR BONDS COUNTER IN BOMBAY

Unit Trust of India and corporate debentures; and the General Insurance Corporation (GIC), which only buys odd-lots from investors in around 90 specified scrips. Listed below are the particulars and modus operandi of the OTC players.

The **SBI** buys and sells 14% non-cumulative bonds of four public sector undertakings (PSUs): the Indian Petrochemicals Corporation Ltd.(IPCL), the National Thermal Power Corporation (NTPC), Indian Telephone Industries (ITI), and the Rural Electrification Corporation (REC). The bonds of these PSUs mature in December 1993.

All transactions in the bonds at the SBI's counters are for a minimum face value of Rs 5,000 or multiples thereof, and are "subject to the availability of bonds," says S.Bashyam, manager of the bank's securities division. Bond-sellers have to furnish a letter from their bankers attesting to their signatures. Once this critical stage is over, the seller receives the proceeds by cheque or draft, minus a margin of Rs 2 per Rs 1,000 face value of the bonds.

As the buying and selling rates of the bonds are mechanically adjusted for interest every day, bond-sellers have to surrender the post-dated interest warrants which come along with the bonds. Buyers of the bonds are required to send the bond certificates for registration to the corporation concerned by registered post within 60 days of the date of purchase.

The SBI operates its counters round the year, save for the three days prior to the dates on which interest is due. "This enables us to settle all purchases and sales and begin our counter operations afresh," says Bashyam.

Potential for expansion. With its wide branch network, the bank could effortlessly extend such operations to other securities as well. But the restrictions imposed by the Reserve Bank of India (RBI) and the SBI Act are cited as impediments. At last count, the SBI was operating a dozen counters — in Bangalore, Hyderabad, Kanpur, Indore, Baroda, Ahmedabad, Jaipur and Chandigarh, besides the four metropolises.

The total turnover since 4 July 1987, when the first counter commenced operations in Bombay, has been about Rs 5 crores. Considering the creditworthiness of the issuing corporations and the SBI's spread of branches, the current OTC operations are but a fraction of the potential.

The Bombay-based Champaklal Investment & Financial Consultancy Ltd. **(Cifco)**, a pioneer in OTC trading, has since narrowed down its operations. It has suspended transactions in odd-lots of equity shares. "Our counters are now only for units," says Nayan Shah, executive vice-president. According to Shah, the main reason for restricting operations has been the uncooperative attitude of companies, which take their own sweet time over the process of transferring, splitting and consolidating securities. "Moreover, bad deliveries, due to improper and incomplete transfer deeds, have willy-nilly forced us to suspend our counter operations in shares," says Shah.

Cifco had kicked off its OTC operations in five select scrips as early as in 1986. The shares traded were mainly those of companies closely associated with Cifco, such as V.B.Desai Financial Services Ltd. While Cifco continues to make markets in these scrips, its OTC activity is confined to UTI units and, more limitedly, to corporate debentures. "(That's) because UTI accepts units for transfer with deeds attested and witnessed by a banker," says Shah.

Cifco's operations in debentures are broker-routed, either way. The deals are quicker, as the seller can expect to receive the proceeds due to him within three days. This might not sound too hot to the financial pro, but the set pattern Cifco follows in operating in debentures is worth noting: it buys at yield rates of 15.5% and sells at 14.5% yield rates. For instance, a Rs 100 debenture paying 14% will be bought at close to Rs 90.32 so that it yields 15.5%; it will be sold at Rs 96.55 to result in a return of 14.5%.

The last major operator in OTC is **GIC**; it could also be the largest. Still, the GIC's operations are not without limitations: it only buys odd-lots of shares and in only around 90 specific scrips. The GIC's first OTC counter opened to the public in Bombay at the office of the New India Assurance Co. Ltd. — one of the corporation's four subsidiaries — on 5 February 1988. "We began buying odd-lots of 25 scrips, which has now been revised upwards to 90," says Bhogilal Shah, managing director, GIC.

The GIC has since expanded operations to the other three metropolises, with the odd-lot counters now being run by the Oriental Fire & General Insurance Co. Ltd. in New Delhi, United India Insurance Co. Ltd. in Madras, and National Insur-

ance Co. Ltd. in Calcutta.

Good business. Despite the low-profile operation of the GIC in this segment, its counters have been attracting moderate to good business at all the centres. The reasons: GIC reaches directly to investors, buys odd-lots from them at close to the prevailing market quotations and makes payments within a week. "GIC is wary of entertaining enquiries through brokers as it defeats the very purpose of our counters," says Shah.

The price GIC pays to odd-lot disinvestors is decided on the basis of the closing quotation of the scrip on the previous day, or the ceiling price fixed periodically, whichever is lower. Payments are made after deducting a 3% service charge, subject to a floor of Rs 2 and a ceiling of Rs 50 per transaction. This certainly compares favourably with the discount at which odd-lots are saleable in the stock markets, if at all. For instance, at the current quote of Rs.2,700, five shares of Century Enka could fetch the seller an encouraging net price of Rs 13,450. "This is possible as our overheads are low, the result of direct dealing with clients," says Shah.

The GIC's counters operate three days a week, on Mondays, Wednesdays and Fridays. The operations are suspended whenever the market quotations of the eligible shares vary from the GIC's ceiling price by a margin of 10%. "The concept is gradually catching on. Satisfied clients are doing word-of-mouth publicity," says Shah, who adds that to date the aggregate value of business done is of the order of over Rs 16 lakhs in over 1,000 transactions.

Simple procedure. The sale procedure is simple. The prospective seller makes an offer in the prescribed form and tenders it along with the transfer deed and an undertaking indemnifying the GIC or the concerned subsidiary in case any claim emanates from any other party. Besides this, the seller has to furnish the names and addresses of two referees. The corporation dispatches the documents to the companies by couriers and "special messengers", as Shah terms them. "We have entered into an understanding with the companies concerned for speedy processing of the transfers," says Shah. These odd-lot acquisitions are later added to the GIC's portfolio.



A NATIONAL INSURANCE OTC COUNTER AT BOMBAY: OPEN FOR BUSINESS

GIC has plans to interlink its four counters so that odd-lots of shares figuring in any of the buying lists at its four buying centres can be sold at any of the four metropolitan cities covered by the arrangement. Shah is optimistic that within a year more such counters will be opened to serve the hinterlands of all the 15 recognised stock exchanges.

At the more informal level, numerous investors' clubs and individuals do buy and sell securities not traded on the exchanges, but on a limited scale and an unsustained basis. Most such clubs, with quaint names like "Odd Lot Friends", do operate in B grade stock exchange centres, such as Ahmedabad, Bangalore and Hyderabad.

But some bigger players too are contemplating an entry. The **Unit Trust of India**, the biggest operator on the stock exchanges, which presently offers two-way quotes only on its own units, is planning OTC operations on a larger scale. "We are enthusiastically considering this," says M.J.Pherwani, UTI chairman. The country's largest private sector bank, **Vysya Bank**, has just launched its Investors' Club with much publicity. "We intend helping investors in 10 cities to buy and sell securities listed in any other exchange," says Ramesh Gelli, chairman of the bank.

The more, the merrier.

fortnightly odd-lot sessions had not been held for two months till the end of May.

"Inadequate spread and uncooperative companies are responsible for the lukewarm trading in odd-lots," says Desai of DSP. Companies take their own time to return shares received for transfer, at times as long as four months. Not surprisingly, odd-lot dealers find it utterly unaffordable to tie up their funds for that long.

A WHITE KNIGHT

But, of late, the GIC has come to the rescue. It has set up counters in the four main metropolises to buy odd-lots in 90 specific scrips and is all set to spread its wings further (see box). Of far greater significance, however, will be the launch of the Stock Holding Corporation of India, jointly promoted by seven financial institutions. The corporation, which is a member of the clearing house of the BSE, proposes to act as a securities bank, the net effect of which will be to make the physical delivery of securities unnecessary. "With this, trading lots will no more be needed. One could buy and sell securities in any number," says R. Chandrasekaran, the corporation's managing director.

Unfortunately though, the Stock Holding Corporation is yet to kick off operations. Some legal problems have to be sorted out before it can play its assigned role in reducing the untradability of shares and securities. (See Offstage, 24 May-6 June 1989).

For holders of dud shares, the millenium is still some distance away.

■ *A.H. Ghani*



RAVI SHYAM has taken over as chief of Profile, the PR division of Trikaya-Grey Advertising.



DILIP CHATTERJEE has been re-elected president of the Calcutta Advertising Club.



K.C. LEONG of Keppel Corporation Ltd., Singapore, has been designated president of Chokhani International Ltd.



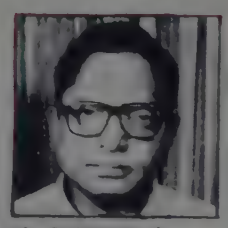
S.K. CHOWDHURY has been promoted as the president of Maharashtra Explosives Ltd.



B.L. CHADHA has taken over as chief general manager, State Bank of India (Patna circle).



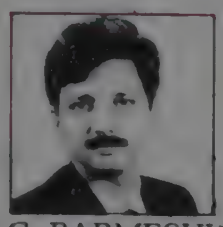
R.K. SUKHDEVSINHJI has been appointed director (personnel) of Bharat Petroleum Corporation Ltd.



C.K. KHOT has taken over as general manager of the Ramachandrapuram unit of Bharat Heavy Electricals Ltd.



T.N. SUBBA RAO, managing director of Gammon India, has been nominated vice-president of the International Association for Bridge and Structural Engineering, Zurich.



M.G. PARMESHWARAN has joined Ulka Advertising as its vice-president (south).



NEENA BHATNAGAR has joined as senior creative director (Bombay), Contract Advertising (India) Ltd.



ISHAN RAINA has joined as executive director, Contract Advertising (India) Ltd.



VEER SAGAR has taken over as chief executive of DCM's data products division. Earlier, he was senior vice-president of ICIM Ltd.

STP Limited

CHIEF EXECUTIVE : HUMAN RESOURCES MANAGEMENT

CALCUTTA **EXCELLENT TERMS**

We are a multi-business, multi-unit, professionally managed Company with an all-India manufacturing and marketing network, with several new projects in the pipeline and belonging to a well-known, respected and diversified industrial group. We lay great emphasis on the development of Human Resources, and a motivating work environment and organisational culture, leading to high job satisfaction. To enhance our Human Resources Management efforts, we are on the lookout for a high calibre professional to head the functions at the corporate office. The position reports to the President and Chief Executive Officer of the Company, who in turn reports to the non-executive group Chairman.

The incumbent will have total responsibility for all aspects of Human Resources Management including personnel policies and manpower planning, performance appraisal, training and development, selection and recruitment, Industrial Relations and Employee Relations and personnel administration. He will ensure effective utilisation of total Human Resources at all levels and will play the role of a planner, motivator, problem solver, negotiator and administrator. Preferred age group 35 - 45 years.

The remuneration package will not be a limiting factor for the right candidate and will include Company car and driver, Company house, Leave Travel Assistance, Medical Benefits plus triple retirement benefits.

Please contact or write with detailed resume to :

Mr. Atmaram Saraogi,
The President & CEO,
STP Limited,
8 Camac Street,
Calcutta 700 017.
Phone : 44 8282

LINTAS(CAL)/STP/66/2116

SOFTWARE PROFESSIONALS

SEEPZ-BOMBAY

Interface Software Resources is an established Software Export Company, catering exclusively to the IBM mainframe environment, having the latest Hardware and Software installed at its ultra modern facilities at SEEPZ, Bombay.

We have over 100 Software Engineers executing projects in SEEPZ, U.S.A., Middle East and Australia. Buoyant demand for our services has created an urgent need for doubling our resources of software professionals — immediately.

We are looking for bright, dynamic professionals (Bombay based) with a minimum experience of two years in mini/mainframe environments, with experience of online COBOL programming. Experience of ASSEMBLER and PL/1 will be preferred.

While previous IBM experience will be recognised and rewarded, other high calibre professionals who are keen to expand their skills will be given a unique opportunity to re-train to IBM environment, before being assigned on export projects. Plenty of opportunity exists for overseas travel.

We offer an exciting, professional and highly motivating work environment that guarantees, besides personal career advancement, a compensation package that would match the best in the industry. Your past experience will decide the level at which you join us. Demonstration of strong analytical skills and leadership qualities will be a deciding factor for senior positions.

If you have the necessary background and the inclination to succeed in a highly competitive environment, please write in confidence, giving contact telephone numbers within two weeks, quoting Ref. "ISR-GKV/89-01", to:

DIVISIONAL MANAGER – P & A

Interface Software Resources Pvt. Ltd.

UNITS 117-120, SDF IV, SEEPZ,
ANDHERI (EAST), BOMBAY-400 096.

Diason

APPOINTMENTS

Hindustan Lever Limited

CAREERS IN INTERNATIONAL BUSINESS

The Unilever Group of Companies in India has a common pool of management resource. This enables us to offer Managers greater opportunities for career growth through exposure to diverse businesses. The Group is a very large manufacture-exporter with combined annual Exports of over Rs. 200 crores. Products include Consumer Products for personal care, branded teas, foods and chemicals. A strong future thrust is planned in Apparel, Leather and Marine Products. Markets are very well spread among OECD countries, Middle East and Eastern Europe.

We plan to offer outstanding career opportunities in International Marketing, Commercial Operations and Manufacturing for Export, with the clear possibility of advancement to general management level in the Group Companies for exceptional candidates.

Applications are invited from young MBAs around 25, from premier business schools with outstanding scholastic achievements for the Management Training Scheme. A good record in extra curricular activities with leadership roles will be an advantage. While not essential, an exposure to international business would be an asset.

We offer an attractive remuneration package (both during training and on confirmation) which includes housing. Those selected will be put through a structured training programme of 18 months covering sales, purchasing, shipping, manufacture and allied areas with emphasis on learning while doing. After successful completion of training they will be confirmed as Managers.

If you are interested in a career with us, do reply with a detailed resume within 10 days to: The Selection Manager, Hindustan Lever Limited, Post Box 409, Bombay 400 001, superscribing the envelope "MT(IB)".

UNTAS HLL HRD 334 2118

APPOINTMENTS

Damodar Valley Corporation

REQUIRES

1. POST NO. 89/14 : MEDICAL OFFICER—Exclusively for SC/ST candidates.

Vacancy : 12 (Twelve)—(9 for SC & 3 for ST). The post is reserved for SC/ST candidates as indicated above and in case no SC/ST candidates are found suitable to fill up all the vacancies or any part of the vacancies even after relaxation of the standard of suitability as applicable in their case, the post will be dereserved and will be filled up by general candidates in accordance with orders on this issue.

Qualifications and Experience : M.B.B.S. from a recognised University with 2 years Post-Graduate Hospital experience (excluding P.R.C.A. or equivalent training) in general Medicine/Surgery/Gynaecology are desirable. Should also possess general knowledge of Public Health. The Officer may be required to take independent charge of a Hospital or Dispensary.

Age : Not exceeding 40 years as on 1.1.1989.

Pay scale : Rs. 2200-75-2800-EB-100-3500-125-4250/- plus Non-Practising Allowance @ Rs. 600/- (upto Basic Pay of Rs. 3000/-) and other allowances as per Corporation Rules. At current rates the total monthly emoluments at the initial and the maximum of the scale will be about Rs. 3306/- and Rs. 6027/- respectively (excluding House Rent Allowance/Field Allowance, Energy Allowance, etc.)

NOTE :

1. No Postal Order is required to be submitted by SC/ST candidates on submission of copy of a Caste/Tribe Certificate from a competent authority.
2. The Corporation reserves the right to modify the qualification and experience. Corporation's decision will be final and binding.
3. Canvassing in any form will be a disqualification for the candidate.
4. Closing Date for receipt of application is 13th June, 1989.
5. Application in the following format should reach within closing date.

APPLICATION FORMAT

Typed application on plain paper in the format given below :

(1) Name of the Post with Post No. (2) Name of candidate (in full), (3) Father's Name, (4) Date of Birth, (5) Present & Permanent Address, (6) Educational Qualification & Professional Qualification, (7) Whether SC/ST (8) Membership of Professional Bodies, (9) Employment (starting from the last)—indicating name of organisation, posts held, period of service, salary drawn, nature of duties performed (10) Signature.

DECLARATION

I hereby declare that all the statements made in the application are true, complete and correct to the best of my knowledge and belief. In the event of any information being found false or incorrect, my candidature may be cancelled without any notice.

Date : Signature of the candidate.

General Information & Conditions :

The application should be accompanied by a signed passport size photograph, a self-addressed envelope (size—10"x4"), attested copies of certificates in respect of age, educational qualification, experience, caste, etc. must reach Deputy Director of Personnel (R & T), DVC, Bhabani Bhaban, Alipore, Calcutta-700027 or Deputy Director of Personnel, DVC, P.O. Maithon Dam, Dist. Dhanbad, Bihar. The Name of the Post & Post No. must be superscribed on the envelope.

Applicant serving under Govt./Semi-Govt./Public Sector Undertakings must apply through proper channel (in case of Advance Copy, the application must be accompanied with all testimonials otherwise it will not be entertained) or to furnish a "No Objection Certificate" at the time of interview. Applications which are incomplete or received after due date or without attested copies of all certificates will be rejected without intimations.

Candidates called for interview will be paid 1st. Class Rly. Fare to and fro from the nearest Rly. Station of their present address to the Rly. Station of the place of interview by shortest route. No. fare, however, will be paid in case of call for written examination.

Inf/77/5/89

EXECUTIVE TRAINEES

IMA Placement Services has been publishing once in a quarter an updated edition of IMA National Placement Register containing the bio-data of selected Graduates/Post Graduates for entry level positions as Executive Trainees in various disciplines like General Management, Finance & Accounts, Marketing and Engineering for use by reputed employers. Out of 7000 candidates who appeared for the tests conducted by IMA during 1988-89, 1600 candidates have been listed in IMA National Placement Register.

Employers - All India basis

Over 100 leading corporate employers on All-India basis have been seeking information from IMA National Placement Register for consideration of the shortlisted candidates for interviews and selection for jobs in various parts of the country.

Eligibility for Test

Graduates/Post Graduates (Any discipline)/Final Year students expecting the results are also eligible to apply. The preferred age is below 25.

Method of Selection

IMA conducts Aptitude Tests at 25 centres for shortlisting the eligible Graduates/ Post Graduates for inclusion of their biodata in National Placement Register. All the candidates who score over 50% in the Aptitude Test will be eligible for getting their biodata listed in IMA National Placement Register.

Aptitude Test

IMA will be conducting the next Aptitude Test on **July 23, 1989.** Eligible candidates may write within ten days for details and application form, enclosing their bio-data along with a crossed IPO for Rupees fifteen drawn in favour of IMA Placement Services and sent to:

The Placement Officer
IMA Placement Services
P B 1515, Nagarjuna Hills Hyderabad 500 482
Tel: 226217 Grams: INMARK Telex: 0425-6065

superscribing the envelope with Ref. No: NPR/8907 along with two address slips.

APPOINTMENTS

Our client is a leading Bank, head-quartered in Dubai with extensive operations in the UAE and overseas. As part of their expansion plans, they have challenging opportunities in the Treasury function. The following positions are based in Dubai and report to the Chief of Treasury operations.

CHIEF DEALER

Dhs. 10,000/- p.m. tax free
+ furnished accommodation

The selected candidate will be responsible for the complete management of the Dealing Room through a team of professional dealers. His key accountabilities will be:

- Constantly study and analyse FX and Money Market trends and develop effective strategies to negotiate market conditions.
- Trade FX Spot, Forward and achieve predetermined profit objectives
- Monitor the Bank's cash and liquidity position and deal on money markets to optimise earnings.
- To develop effective dealing relationships with other banks/brokers
- Negotiate individual profit targets and performance levels for his dealers and provide direction for achieving the desired results.

The ideal candidate should be 30 to 35 years of age and should be a graduate in Economics or Commerce, preferably with an MBA. He should have 8 to 10 years experience in the dealing operations of a leading/multinational bank of which at least 4 years should have been in the capacity of a Chief Dealer in a Dealing Room.

MARKETING OFFICER TREASURY

Dhs. 7,500/- p.m. tax free
+ furnished accommodation

The successful candidate will market the Bank's current range of treasury products, help evolve new products which are market responsive and establish a decisive business edge in the market place.

His key accountabilities will be:

- Canvass for the Bank's treasury products amongst high profile corporate clients and achieve mutually agreed targets.
- Support the Bank's branches in marketing Treasury products to specific customers.
- Provide information to customers on FX and Money Market trends and future developments and advise them on financial risk management through forwards, options and swaps.
- Monitor and control the Metal Trade transactions of the Bank.

The ideal candidate should be 30 to 35 years of age and should be a graduate in Economics/Commerce preferably an MBA with specialisation in Marketing. He should have 5 to 7 years experience of dealing in FX and Money markets with multinational/large Banks. Additional experience in Marketing of banking services/products is desirable.

Besides salary and accommodation, the positions offer free air passage, insurance, interest free car loans. Besides, excellent growth opportunities within a progressive and dynamic work environment.

Our principals are expected to be in Bombay, in the 3rd/4th week of June 1989 for final interviews.

Please apply immediately with full details in the first instance along with 2 recent passport size photographs to:

PROTECH ENGINEERING INDUSTRIES PVT. LTD.,
123-B, Mittal Towers,
Nariman Point, Bombay-400 021.
Regn. No. 000110/BOM/COM/1000+/3/42/84

TRISTAR
BOYDEN

Our client is an extremely fast expanding public limited company in the field of finance. The company was established 5 years ago to provide finance by way of leasing, hire purchase, bill discounting and short term loans and has a present turnover exceeding Rs. 5 crs. It is part of a large, well-diversified, professionally managed group which has a present turnover of Rs. 50 crores.

MANAGING DIRECTOR
BOMBAY

The Company is looking for a result-oriented professional to keep pace with their ambitious growth plans. Only those candidates with outstanding and proven leadership qualities need apply.

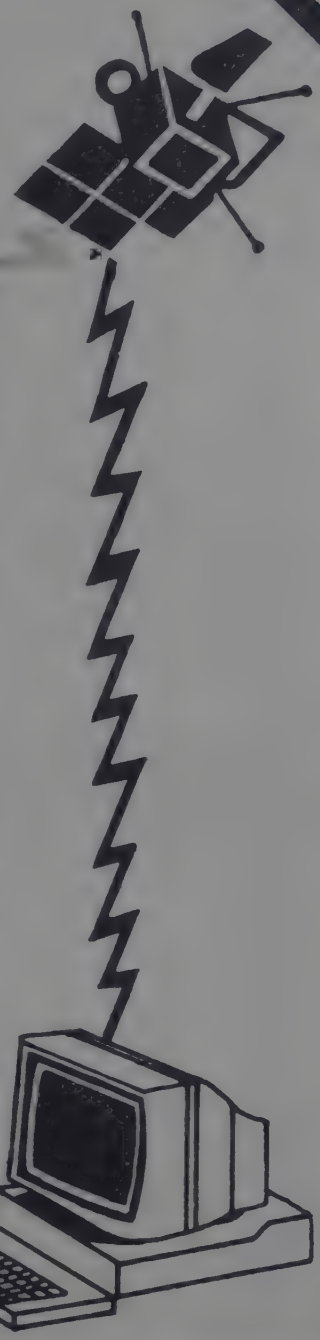
The above position reports to the Board of Directors.
The ideal candidate would be an MBA (Finance)/CA in the age group of 35 to 45 years. Professionals with relevant experience, preferably with exposure to the Banking & Leasing industries would be preferred. Exposure to International Finance/Merchant Banking would be an advantage.

Compensation would not be a limiting factor and would include attractive perks. Please send in your resume with a photograph and contact numbers within 10 days to:

TRISTAR
CONSULTANTS
(Leaders in Executive Search)
IN AFFILIATION WITH BOYDEN INTERNATIONAL INC. NEW YORK
616, Maker Chambers V, Nariman Point, Bombay-400 021.
Tel: 233905/240377
Associate Offices: New Delhi, Calcutta, Madras, Bangalore

SOFTWARE SPECIALISTS

NETWORKING/TELECOMMUNICATIONS



Datamatics Consultants Ltd. is today in the process of implementing a major expansion plan. A dedicated satellite data link has been set up, connecting the SEEPZ, Bombay, facilities to USA for on-line software development. The Telecommunications arena has been identified as a high-potential, vital area for new opportunities that will consolidate our current position at the leading edge of technology. To gear ourselves to tap this demand, we have an immediate requirement for Software Specialists.

We recognise a multi-vendor policy, so experience on varied architecture is desirable. The in-house operating environment includes AT&T 3B2 700/600, IBM 9370, IBM 43XX, Wang VS series, etc.

Job Requirements: We require system software specialists to develop software for communication/networking on Computers / EPABX systems.

Qualifications: B.Tech or M.Tech or equivalent degree in Electronics/Telecommunication/ Computer Science.

Experience: Candidate should have experience in design/development of system/ communication/networking software. Knowledge of Networking applications like LAN, WAN, ETHERNET, TOKEN RING, SNA, X.25, X.400, OSI, or other large data networks is desirable. Working knowledge of UNIX/C desirable.



Remuneration: The compensation package is structured to attract the best available professional talent.

Since this area of specialisation is largely associated with the export market, the job will involve frequent overseas travel on short or long term assignments.

Please apply quoting Ref 'DC-037' to the following address.

Contact: Adviser, Personnel & Administration,

Datamatics Consultants Ltd.,
Unit No. 38/39, SDF II, Seepz,
Andheri (E), Bombay-400 096.
Phone: 632-4236/7.

Diason

APPOINTMENTS

APPOINTMENTS

WANTED CHARTERED ACCOUNTANT WITH MINIMUM FOUR YEARS EXPERIENCE IN MANAGEMENT ACCOUNTANCY, COMPANY LAW MATTERS, TAXATION AND AUDIT. REMUNERATION WILL BE COMMENSURATE WITH EXPERIENCE & COMPETENCE. APPLY WITH FULL BIO-DATA AND EXPECTED SALARY TO:

SINGHANIA & CO., ADVOCATES
B-92, HIMALAYA HOUSE
K.G. MARG, N. DELHI-110001

SICO
WATER
TECHNOLOGIES

SICO is a Public Limited Company in Private Sector (Established in 1911). A fast-growing, progressive, professionally managed All-India company with factories at Ghaziabad, R & D Centre at Allahabad. Regional Offices at Bombay, Calcutta, Madras, New Delhi, Lucknow and 10 Branch Offices.

SICO is in the field of highly sophisticated instruments required for Research, Industry, Medicine, Oil Exploration, Survey, Education, Pollution Monitoring/Control. SICO foreign Principals are world leaders in their respective fields.

Now SICO WATER TECHNOLOGIES, will open new horizons from Influent to Effluent Treatment, full range of Plant & Equipment, R.O. UV.03 Ultra Filteration and Conventional Systems like DM/ Filters/Automatic Standard Plants are being introduced with several unique features, first time in the country. We need competent persons to join our hands as :

SALES ENGINEERS/EXECUTIVES : Allahabad/Bombay/Calcutta/New Delhi/Madras/Lucknow.
Job calls for to prepare tender bids, Quotations order processing. Incumbent will be responsible for achieving self-set, sales-targets. Chemical/Mechanical Engineers with formal management exposures preferred. Experience in Selling/Marketing Capital Goods, Projects is must.
Financial compensation (salary/perks) are quite good. The real reward shall be in work itself. This is an ideal organisation for those looking for professional/career growth and stimulating & enabling work environment which emphasises performance excellence and operational autonomy. Housing in Allahabad is available under HDFC Scheme. Please send your resume and a recent passport size photograph to :

The President,
SICO Water Technologies,
6, TEJ BAHADUR SAPRU ROAD, ALLAHABAD-211 001 (U.P.)
A DIVISION OF : THE SCIENTIFIC INSTRUMENT CO. LTD.

APPOINTMENTS

unitel communications limited

part of

The UB Group of Companies.

Invites.

SALES & CUSTOMER SERVICE PERSONNEL

To join the Telecommunication revolution in India with a highly progressive company, market leaders in this field, supported by the Rs. 1000 crore UB Group that includes names like: Hoechst, Mcdowell's, Roussel, Kisan and Berger.

Apart from manufacturing and marketing EPABX's in collaboration with ATEA of Belgium (a GTE – SIEMEN's venture) and surging forward to capture increasing shares of a market worth Rs. 3100 crores by 1990, Unitel is also actively working on linking up computers, transmission of data and facsimile at high speeds through the EPABX.

Unitel requires:

AREA SALES MANAG

ASST SALES MANAG

— CALCUTTA

MBA/Graduate with atleast 5-
proven marketing and sales adm
experience of computers/
Telecommunication equipment/
electronic office equipment, for
promoting the small/medium ra
EPABX's

— BANGALORE
(SALE OF LARGE SYSTEMS

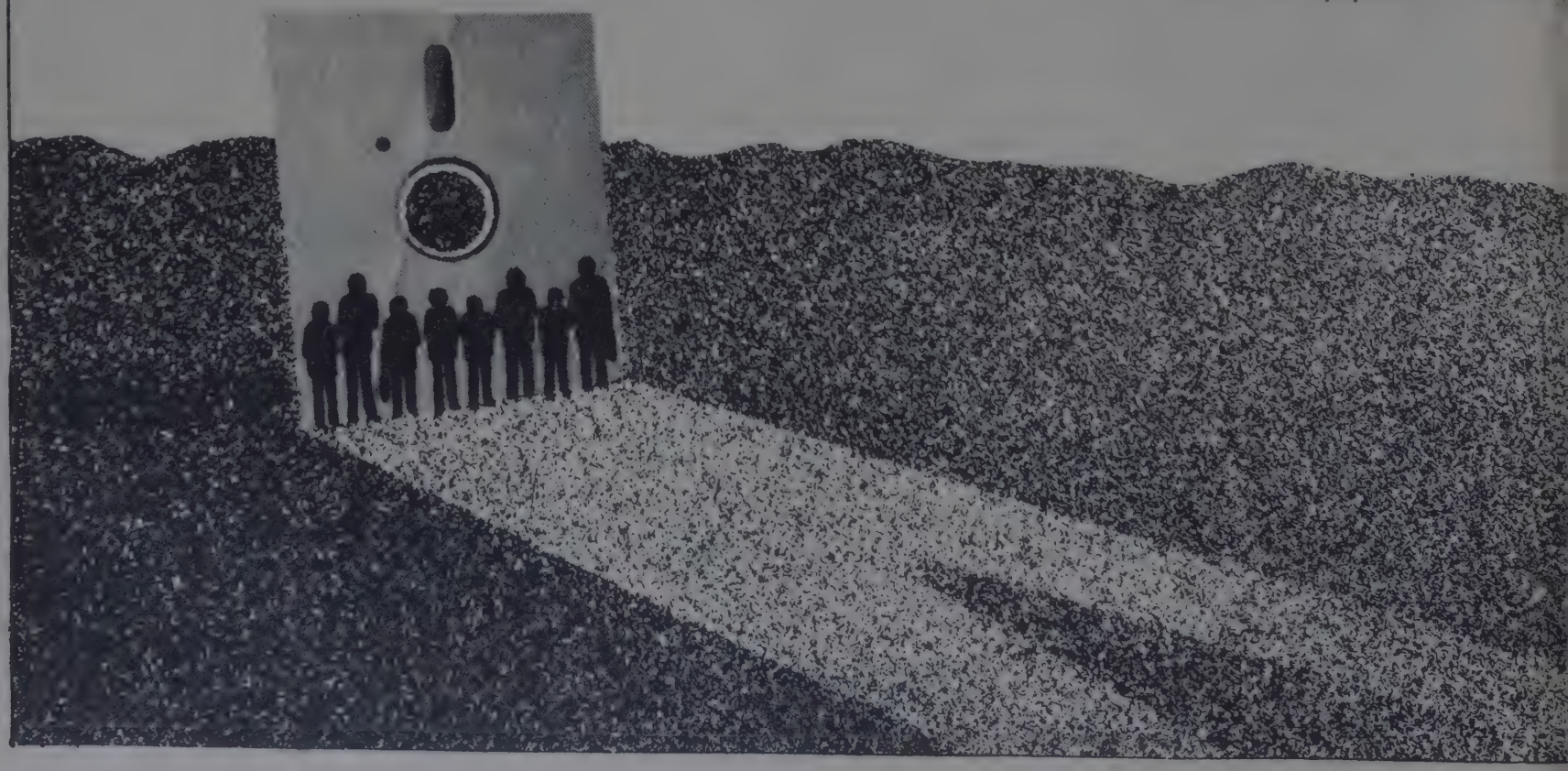
Electronics engineer with 4-6 y
proven marketing and sales admi
experience of computers/industr
products of high value to institut
Public sector organisations, to pr
the sale of large systems.

SR. SALES EXECUTIVES

SALES EXECUTIVES

— Delhi • Bombay • Banga
• Calcutta • Bhubneshwar
• Hyderabad • Madras

MBA/Graduate with 1-4 years s
experience of computers/
Telecommunication equipment/
electronic equipment to institutio



APPOINTMENTS

ASST MANAGER / SR. EXECUTIVE
PRODUCT MANAGEMENT

(H.O. — Delhi)

MBA's from reputed institutes with 2-5 years product management experience in a high profile competitive company. To support the Marketing Controller in planning and implementation of marketing strategies.

SR. SALES ENGINEERS/ SALES ENGINEERS
(ELECTRONICS)

— Delhi • Bombay • Bangalore • Calcutta • Bhubneshwar • Hyderabad • Madras

Engineers with 1-4 years proven sales experience of computers/ Telecommunication equipment/industrial products to institutions.

AREA MANAGERS / ASST MANAGERS
CUSTOMER SERVICING
(ELECTRONICS)

— Delhi • Bombay • Calcutta • Bangalore • Bhubneshwar • Hyderabad • Madras

Electronics Engineers/diploma holders with atleast 6 years experience in installation, field maintenance and customer support of microprocessor based electronic products/computers/electronic office equipment.

Ability to lead a team of customer engineers and accountability for installation, commissioning and revenue collection is important.

Uncompromising dedication to service, to which the company stands committed is essential.

SR. CUSTOMER SERVICE ENGINEERS/ CUSTOMER SERVICE ENGINEERS
(ELECTRONICS)

— Delhi • Bombay • Calcutta • Bangalore • Bhubneshwar • Hyderabad • Madras

Electronics engineers/diploma holders with atleast 1 years experience in installation and field maintenance of microprocessor based electronic products/computers/ electronic office equipment.

SALARIES WILL COMMENSURATE WITH EXPERIENCE AND COMPARE WITH THE BEST IN THE INDUSTRY, INCLUSIVE OF VERY ATTRACTIVE PERQUISITES

Write stating position applied for and prefered city of posting, quoting: C-109/89

Personnel network.

405 Saraswati House,
27, Nehru Place, New Delhi-110 019, Tel: 6413373



pn 365

APPOINTMENTS

TATA UNISYS LTD.

In the Computer Industry worldwide and in India, Tata Unisys Limited is a recognised name. We specialise in offering complete business solutions to our clients worldwide.

Tata Unisys Limited, being a joint venture has the unique advantage of access to the wide product range and the wealth of expertise in high technology of Unisys. The worldwide merger of **BURROUGHS** and **SPERRY** into **UNISYS** Corporation has opened significant opportunities of growth in Tata Unisys Limited.

Over the years Tata Unisys Limited has been able to attract some of the finest talents in the country by offering them rewarding and challenging career opportunities.

The Computer Consultancy Division which is engaged in executing projects in Applications and Systems software area has a wide variety of the latest Hardware and a professionally invigorating environment. Our team of extremely motivated consultants have so far successfully executed more than 1200 projects in 47 countries. Our Software products have been well accepted worldwide. We have been awarded projects with major Banks and Airlines to develop software for their subsidiaries worldwide.
To meet the growth needs of our Consultancy Division we need:

SOFTWARE PROFESSIONALS

(Bombay/Delhi)

The job involves design and development of Systems/Applications software in the area of Banking and Airlines applications using 4GL Data Base environment on a variety of hardware.

The candidates should be graduates/post-graduates preferably in Engineering/ M.C.A.s/M.B.A.s with 2-7 years experience in the areas mentioned above. Besides, they should have a high degree of interpersonal skills and be willing to move to any location.

Candidates having experience on WANG – VSXX Machine, IBM 370, 937X, 309X, 43XX, SPERRY, HP, BURROUGHS Machines and having knowledge of PACE, CICS, DATACOM DB, VSAM, DOS – VSE, VTAM – SNA, ADR, IDEAL, MVS, MAPPER, shall be given preference. **BANKING PROFESSIONALS WITH EXPOSURE TO EDP MAY ALSO APPLY.**

The positions carry an attractive compensation package.

Apply in strict confidence giving full details of qualifications, work experience and present emoluments to:

The Senior Manager – Human Resources
Tata Unisys Limited
Seepz, Andheri (East)
Bombay 400 096

Clamar

MDS

GENERAL MANAGER

DEVELOPMENT & PROJECTS — JALGAON
1 Lakh plus

MDS is a technology and market leader in the field of Miniature Circuit Breakers. It has different collaborations with Asea Brown Boveri to diversify its product range within the category of low tension switchgear. The Company has an integrated manufacturing set up in Jalgaon, which includes press shop, moulding shop, tool room with CNC machines and modern assembly lines.

The Company is on the look out for an outstanding Engineer to take charge of the overall technology function of the Company and to implement its new product projects.

The job responsibilities encompass technology absorption, development of tooling to demanding schedules, setting up of assembly lines – including S.P.M. development, and ensuring new products are productionised to laid down time schedule.

The incumbent should have an engineering degree from a premier institution and exposure to different manufacturing areas like press shop, moulding shop and tool room. He should have 12 to 15 years experience of which at least 5 years should be in a senior independent position. He should be capable of building a team and leading them to achieve targets on agreed schedule. He should have a strong commitment to long term organisation build up, be a self motivator and demonstrate a drive to excel.

The position is a Senior Management position with ample career opportunity and reports to the Chief Executive of the Company. The remuneration package is designed to attract the best talent and is unlikely to prove a constraint.

Apply within 10 days giving details of age, qualification, experience, salary drawn, to:

MDS Switchgear Limited
314/318 Shah & Nahar Estate,
Off Dr. E. Moses Road, Worli. BOMBAY-400 018.

CONSULTING PROFESSIONALS DELHI

S.B. BILLIMORIA & CO., wish to recruit dedicated professionals at various levels for their Management Consultancy Division at Delhi to work in the following areas.

Computerised Information Systems

The job involves design, development and implementation of computerised systems on minis/sperminis and networked computers for various clients.

Candidates should possess a formal qualification in Computer Science/MBA (Systems) with first hand experience of 2 to 6 years in systems analysis, design and development of software in multi-user and on-line environments. Knowledge of DBMS and 4GLs desirable.

Projects and Operations Management

The work involves carrying out business research, market studies, project feasibility and productivity improvement studies in industrial environments.

Candidates should be first class Engineer MBA's from reputed institutes with 2 to 4 years' experience in industry with a good performance record. Aptitude for creative and analytical work and good written and oral communication skills essential.

The firm offers a stimulating work environment with opportunities for rapid personal and career growth. The remuneration package will be attractive but will not include housing.

Please apply within seven days with full particulars quoting ref. **MS 8901 to:**

S.B. Billimoria & Co
Post Box 4325
New Delhi-110 019

APPOINTMENTS

DARSHAK LIMITED

(COMMERCIAL DIVISION)
BARODA - 390 003

require

SALES MANAGER
(CONSUMER PRODUCTS)

HEADQUARTERS: BARODA **ATTRACTIVE TERMS & ACCOMMODATION**

We are marketing well known **'YERA'** brand consumer glassware, manufactured by **Alembic Glass Industries Limited.** To implement our sales strategies and realise long term growth plans, we require competent and result oriented executive, responsible for overall planning and achievement of sales targets with dealers all over India, upgrading dealership, active market development, assessing product feedback, designing and executing creative sales promotion, gathering market intelligence and motivating field sales personnel. Besides, participation in product planning/development, advertising strategy and dealer network planning would also be important responsibilities.

The candidate should possess Post Graduate qualification in Marketing Management, with a minimum of 7 years relevant experience of selling consumer products at Senior executive level. Preferred age around 35 years.

The position offers attractive salary and liberal perks. The selected candidate will be required to sign an agreement to serve the company at least for a period of three years.

Applications giving particulars of qualification, experience, age, present salary, etc. be sent within one week from the date of publication to: GENERAL MANAGER (PERSONNEL & INDUSTRIAL RELATIONS), PERSONNEL DIVISION.

JAISONS DL 689

SESA SEAT INFORMATION SYSTEMS LTD.

need a

COMPANY SECRETARY

The candidate should be around 35 years old and with the appropriate qualifications and all-round experience to discharge the functions of a Company Secretary and other legal and head office accounting functions of a small but fast growing company.

The Company is a subsidiary of Sesa Goa Limited in collaboration with STET S.p.A. of Italy. The Company was incorporated a year ago but is already implementing an ambitious programme of growth in the field of informations and other related high technology areas.

The position is located in Goa at the Company's registered office and besides fulfilling the statutory requirement will involve an all round coordinating function with the operating headquarters.

Applications with full particulars should be sent within 10 days of this advertisement to:

The Director,
Sesa Seat Information Systems Ltd.,
Altinho,
Panjim – Goa (403 001).

Clamar

APPOINTMENTS

SESA GOA

need

the following **MANAGERS** for their operations in Goa

PERSONNEL MANAGER

Around 40 years old with a good academic record and proven experience in all aspects of Personnel Management and particularly in the areas of Human Resources Development and Industrial Relations. The vacancy is at the Middle Management level and likely to develop into a Senior Management position in due course.

PURCHASE MANAGER

Around 35 years old with a good technical and commercial background. Experience in the purchasing function in the engineering industry would be an asset.

ACCOUNTS/COMMERCIAL MANAGERS

Around 30 years old with a good academic record, qualifications as a Chartered or Cost Accountant and/or an MBA degree with accounts/finance subjects and an experience in profit centre costing, and/or finance activities.

DEVELOPMENT MANAGER

Around 35/40 years of age with a degree in Mechanical Engineering and experience in design and development and a good knowledge of engineering materials of construction. Previous experience in import substitution would be an added qualification.

All the above posts are located in Goa and carry an attractive remuneration package.

Applications with full particulars should be sent within 10 days of this advertisement to:

General Manager – Personnel
Sesa Goa Limited,
Altinho,
Panjim – Goa (403 001)

Clemar

A leading professionally managed business group with an annual turnover of Rs 20 crores is looking for their wide ranging Paints Division, a

MARKETING MANAGER

with minimum 5 years' experience in Paint Marketing in a managerial position. The incumbent will have to build up and lead a team of Marketing Professionals all over India. He should be around 35 years, preferably with a post-graduate qualification in Management.

DYNAMISM, INITIATIVE AND AMBITION ARE ESSENTIAL

EMOLUMENTS & PERQUISITES WILL BE THE BEST IN THE INDUSTRY

Please write with all details to:—
Mr Shyamal Datta Gupta
Managing Director
Finmark Management Consultants
38, B, Onlooker Building
Sir P.M. Road, Fort
Bombay-400 001.

MANAGERS CREDIT & MARKETING

Dhs. 7,000/- p.m. tax free
+ furnished accommodation

Our client is a leading Bank head-quartered in Dubai with extensive operations in the UAE and overseas. As part of their expansion plans, they have challenging opportunities for Credit and Marketing professionals to be placed at various locations in the UAE.

The positions report to the Branch Manager and have the following as their key accountabilities:

— Comprehensive management of predetermined major accounts with a view to enhance earnings and reduce lending risks.
— Monitoring the forces influencing business conditions and recommending appropriate strategies to gain a decisive business edge.
— Evolve strategy to actively market for new accounts and ensure business against specific targets.
— Identify potential for enhancing deposits and achieve mutually agreed targets.
— Manage specific delinquent accounts and facilitate prompt realisation of overdues.

Ideal candidates will be 30 to 35 years of age. Graduates in Commerce, preferably with an MBA in Finance and Marketing. They should have 5 to 10 years experience in a similar capacity with multinational banks.

Besides salary and accommodation, the positions offer free air passage, insurance, interest free car loans. Besides, excellent growth opportunities within a progressive and dynamic work environment.

Our principals are expected to be in Bombay in the 3rd/4th week of June, 1989 for final interviews.

Please apply immediately with full details in the first instance along with 2 recent passport size photographs to:

PROTECH ENGINEERING INDUSTRIES PVT. LTD.
123-B, Mittal Towers
Nariman Point, Bombay-400 021
Regn No 000110/BOM/COM/10004/3/42/84

APPOINTMENTS

W.S. INDUSTRIES (INDIA) LTD.

GENERAL MANAGER (Corporate Quality Assurance)

MADRAS — Age: 35-45 Years

W.S. Industries is a well established manufacturer of Electrotechnical equipment in collaboration with leading foreign companies like Westinghouse (USA), Siemens (West Germany), Matsushita (Japan), etc. It has recently diversified into the manufacture of Telecommunication equipment and has plans for rapid growth in this area. Presently, there are three operating Divisions at Madras and Bangalore with a total sales turnover of Rs.500 million per year. A significant export volume has been achieved, and it is planned to be further enhanced. W.S. has carefully built up an international reputation for good quality and has accepted the ethos of Total Quality Control (TQC) as part of its strategy to become a global force in all its activities.

The Role:

It is envisaged that the incumbent will formulate and implement the Company's policies to inculcate TQC throughout the organisation. Initiation of Group Techniques, Quality Education, Self-inspection, Quality Audit, etc. will be the key areas of responsibility. Reporting to the Managing Director, the incumbent will interact closely with the Divisional Chief Executives and Group Manager (HRD).

Requirements:

Applicants should be Electrical/Electronics Engineering graduates with a minimum of 12 years' experience in Quality Assurance Management in a reputed industrial organisation, including three years in the area of TQC.

This is a very important position in the organisation and carries an attractive remuneration package.

Please apply within 15 days, with full details of education, experience and present remuneration along with a recent passport size photograph, to:

Group Manager (HRD)
W.S. Industries (India) Limited
Porur Madras 600 116

BABCOCK & WILCOX OF INDIA LIMITED

(A wholly owned subsidiary of ACC-Babcock Ltd.)
"ILACO HOUSE", 1 & 3, Brabourne Road, Calcutta-700 001.

Needs:

Erection personnel with field-project experience in installation of steam generating units (including critical piping and ESP).

1. RESIDENT ENGINEERS:

Degree in Mechanical/Electrical/Electronic Engineering with experience of 5 years.
Age: Around 35 years.

2. SENIOR SERVICE ENGINEERS:

Degree in Mechanical/Electrical/Electronic Engineering with 6—7 years' experience in commissioning and operation of power boilers and auxiliaries.
Age: Around 30 years.

3. ERECTION ENGINEERS:

Degree /Diploma in Mechanical/Electrical Engineering with experience of 5—8 years.
Age: Around 40 years.

4. SENIOR ERECTORS:

(i) Science Graduate having experience of 9 years or more.
Age: Below 40 years.

(ii) Diploma in Civil Engineering with minimum 5 years'experience.
Age: Below 30 years.
Age and qualification limit relaxable for more experienced personnel.
Salary commensurate with qualification and experience.
Perks include P.F., Gratuity, Superannuation, Bonus, LTA, Medical benefits besides special site benefits like Out-of-pocket Expenses, free accommodation and conveyance.
Please write giving full bio-data to the Company Secretary within 15 days.

MANAGER, CONSUMER CREDIT

Dhs. 8,000/- p.m. tax free
+ furnished accommodation

Our client is a leading Bank head-quartered in Dubai with extensive operations in the UAE and overseas. As part of their expansion plans, they currently have a challenging opportunity in their Consumer Credit function.

The position reports to the Head of UAE operations and has the following as its key accountabilities:

— Support efforts to enlarge the Bank's customer base in the existing areas in consumer finance.
— Evolve newer and more profitable avenues in asset financing which are market responsive and help improve market share.
— Establish lines of indirect product financing through dealers, detailers network.
— Liaise with large medium and small corporate organisations and promote avenues of consumer finance.
— Monitor and support the Bank's efforts in realisation of overdues by devising effective strategies.

The ideal candidate should be 30 to 35 years of age. An MBA with specialisation in Finance/Marketing. He should possess 5 to 8 years of experience as a middle level Marketing/Finance Manager in leasing companies/multinational banks with an emphasised consumer finance function. Candidates could also be from medium value capital goods marketing organisations using novel financing methods.

Besides salary and accommodation, the positions offer free air passage, insurance, interest free car loans. Besides, excellent growth opportunities within a progressive and dynamic work environment.

Our principals are expected to be in Bombay in the 3rd/4th week of June, 1989 for final interviews.

Please apply immediately with full details in the first instance along with 2 recent passport size photographs to



PROTECH ENGINEERING INDUSTRIES PVT. LTD.
123-B, Mittal Towers
Nariman Point, Bombay-400 021
Regn No BOM/COM/10004/3/42/84

APPOINTMENTS

NORTH EASTERN INDUSTRIAL CONSULTANTS LTD. (NECON)

(Sponsored by IDBI, IFCI, ICICI, SDI, UBI & State Industrial Development Corporation of Manipur, Mizoram, Nagaland and Tripura)

Applications are invited from Enterprising and result-oriented professionals in the age group of 25 to 40 for the following posts.:

1. **Consultants — 2 Nos.**
2. **Draftsman (Civil) — 1 No.**

Qualifications

Degree in Engineering for the post of Consultants and Diploma/Degree in Draftsmanship (Civil) for the post of Draftsman (Civil) from any recognised Institution.

Experience

At least 3 years' experience in case of consultants in project formulation and appraisal and technology evaluation in a consultancy firm, development institution/ bank engaged in providing financial assistance, promotional support and professional services to tiny, small and medium industrial enterprises. In case of Draftsman (Civil), he should have a shopfloor experience of at least 2 years.

Probation and Emolument

Selected candidates would be offered an initial appointment purely on contract basis for a period of one year and will be paid a consolidated salary of Rs. 1,500 to Rs. 3,000 for the post of Consultants and Rs. 1,000 to Rs. 2,000 for the post of Draftsman (Civil) per month, commensurate with their qualification/experience and suitability.

However, higher start may be given to a highly suitable candidate. No P.F., Gratuity, Medical facility, Housing or other allowances will be admissible during the contract period of service. On completion of production such of the candidates as may be found suitable may be absorbed in the Company and fixed in a regular pay scale of NECON plus allowances as applicable to staff of the Government of Manipur.

Candidates fulfilling the above requirements may apply on plain paper together with a passport-size recent photograph within 21 days from the date of this advertisement to:

MANAGING DIRECTOR

North Eastern Industrial Consultants Ltd.

Imphal Urban Cooperative Bank Bldg.
M.G. Avenue Imphal-795 001.

REQUIRED PERSONNEL FOR THE FOLLOWING POSITIONS FOR A FAST GROWING TURN-KEY ENGINEERING GROUP BASED AT CALCUTTA HAVING AN ANNUAL TURNOVER OF RS. 16 CRORES.

ACCOUNTS OFFICER

He will be responsible for Financial Accounts & Annual Accounts. Candidate shall be B. Com. with 8-10 years of similar experience in Accounting and holding a position of Sr. Accounts Officer, may apply. Candidate must be experienced in Computer Accounts and shall have knowledge with hands on Personal Computer. He will be required to computerise all Accounting Functions on in-house personal computers. R.S. No. 528

COMMERCIAL OFFICERS

AT SITES

He will be responsible for maintenance of Stores, Accounts and all other Commercial activities like Billing, Collection of Payment, Preparation of Progress reports, etc. at Project Sites.
B. Com with minimum 5 years' experience in similar or related field may apply.
Candidate having background of using Personal Computers shall be given preference.
Candidate will be required to computerise Stores records, Progress Reports, Billing, etc. R.S. No. 529

SR. COMMERCIAL OFFICERS

CALCUTTA

He will be in-charge of all commercial Operations of various Contracts and assist the Project Team for proper Project Management as its member.
B.Com/B.Sc and MBA (from reputed University) and having at least 3/5 years' experience in similar or related field may apply. R.S.No. 530.
Compensation and remuneration packages will be attractive for the candidates meeting the position requirements. Please apply in strict confidence quoting R.S. Nos. to:

SIGMA CONSULTANTS PRIVATE LIMITED
11 Camac Street
Calcutta 700 017

SILICONE MASTERPIECE



BY METROARK

In 1953, we at Metroark had a vision and a commitment to the future - to a Renaissance of Indian Industry.

Today, we are the winners in the new generation of advanced products. The result of hi-tech research and major investment in people & technology. Our wide and growing range is a tangible pay-offs to our customers. Our range of Silicones - dimethyl, phenyl, amino, HT fluids, compounds, lubricants, antifoams, additives, paper & protective coatings, resins, varnishes, dielectrics, RTV & HTV rubbers, sealants, water repellents, textile finishes and softeners, pharmaceutical & cosmetic ingredients and many more. You name it - METROARK makes it. Our R & D has also expanded our field with its latest innovative products for conservation and recovery of petroleum.

Each Metroark product is specially formulated for superb quality & unmatched utility. Metroark range is matched only by Metroark reputation - Quality all the way.

METROARK

FIRST IN SILICONES IN INDIA

METROARK PRIVATE LIMITED

33A, Jawaharlal Nehru Road, Calcutta 700 071
Phone : 29 2725/ 5541 Telex : 021 - 5742
Vadhani Ind. Estate, L.B.S.Marg, Ghatkopar (W)
Bombay 400 086, Phone : 58 5402/9127

ARYADAYA/0289

HIGHER STEEL PRODUCTION

Production of steel ingots and saleable steel by the major steel plants in the country during March 1989 was about 19% and 24% respectively higher than that in the previous month. And it was about 12.8% and 3.4% respectively more than the output in March 1988. Production of pig iron during March 1989, however, showed a fall. It was not only lower by about 13% when compared to March 1988 but also 16% lower when compared to the previous month.

TURNAROUND IN JUTE PRODUCTION

After recording a decline in February this year, jute production in March staged a recovery of 5.4% over the previous month. It was also 20% higher when compared with production in March 1988. There was an almost corresponding increase (5.9%) in offtake as well in March 1989 when compared to the previous month. Consequently March 1989 witnessed a depletion in stocks, by 5.6% from those at end-February.

CAPITAL ISSUES ON THE RISE

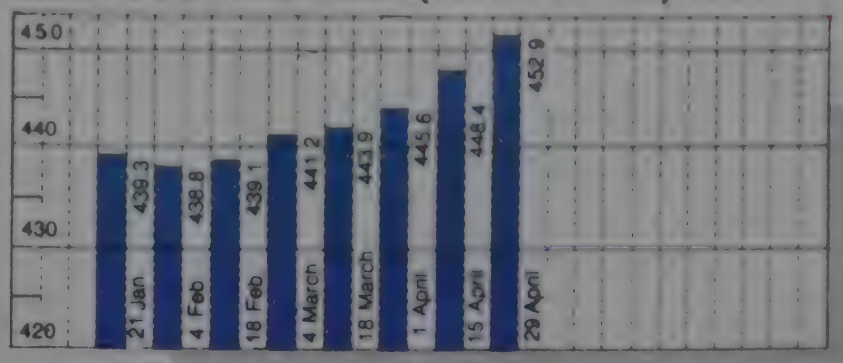
During April 1989, the first month of the fiscal year 1989-90, the total capital issues were Rs 164 crores compared to Rs 68 crores during April 1988 and Rs 136 crores during April 1987. During the 12 months ended April 1989, the total capital issues were Rs 4,642 crores (inclusive of Rs 410 crores issued by certain term lending institutions and the mutual funds like the ICICI, UTI, SBI Capital Markets, Canbank Financial Services, etc.).

PRODUCTION OF THREE-WHEELERS ZOOMS

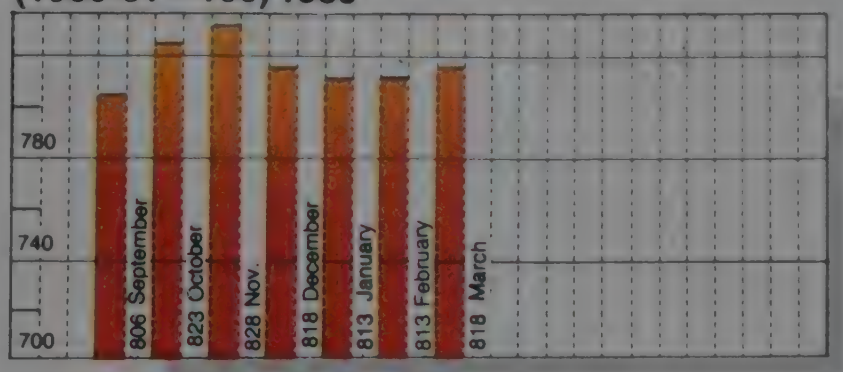
The performance of the automobile industry during 1988-89 was very encouraging. Both production and sales expanded by about 12% when compared to that of the previous year. Among all the categories, three-wheelers recorded the highest increase. While production in 1988-89 was 30% higher than that in 1987-88, sales jumped by about 32%. In the entire automobile industry it is the two-wheelers which constitute a major segment (80%) in production as well as sales in terms of numbers. In this segment, the scooters category occupies a prominent place. After recording a decline in 1987-88, scooters showed a quantum jump in production (24%) as well as sales (25%) in 1988-89 when compared to the previous year.

Foreign Exchange Rates (Spot) 1989	23 May (Rs)
One P. Sterling	25 70
One US Dollar	16.21
One D Mark	8.08
One hundred J.Yen	11.50
One Saudi Riyal	4.25
One Kuwaiti Dinar	54.51

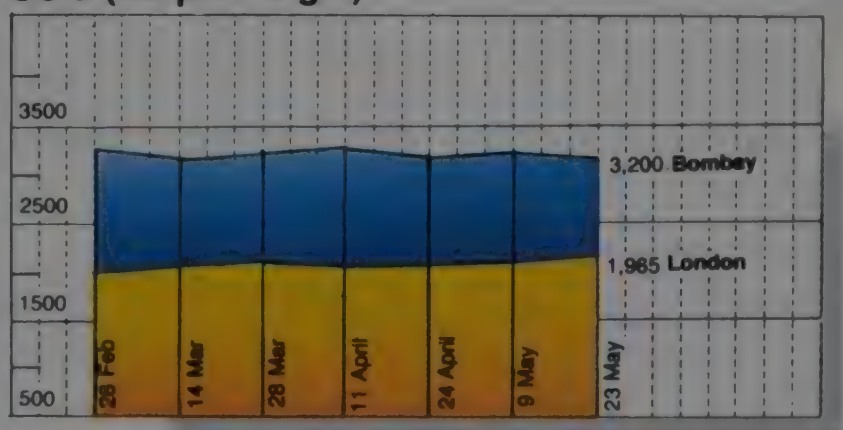
Wholesale Price Index (1970-71 = 100) 1989



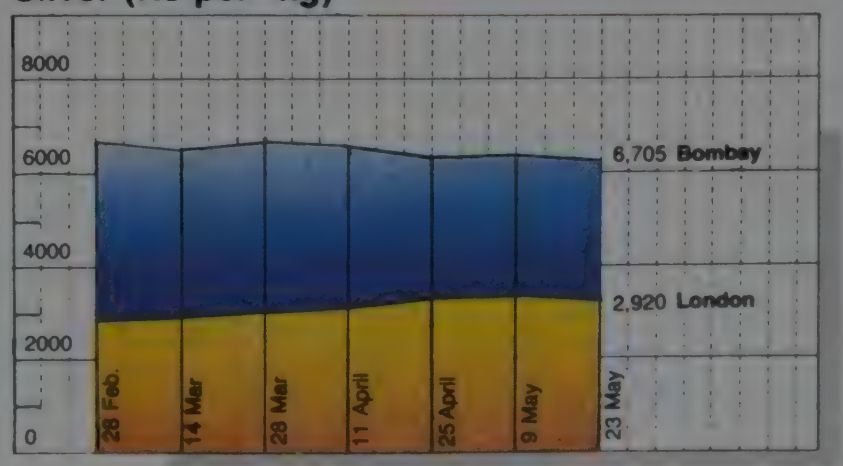
Consumer Price Index for Industrial Workers (1960-61 = 100) 1989



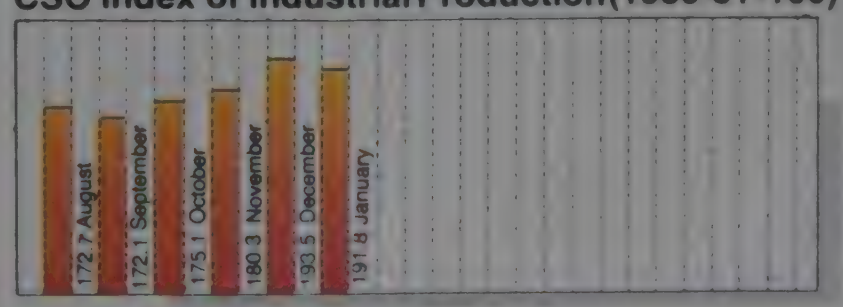
Gold (Rs per 10 gm)



Silver (Rs per kg)



CSO Index of Industrial Production(1980-81=100)



FISSURES IN J.M. FINANCIAL

Fissures appear to be developing between cousins Mahendra and Nimesh Kampani, who run the merchant banking firm of J.M. Financial & Investment Consultancy Ltd.

Nimesh Kampani, the whizkid of the family, is apparently keen to float a stockbroking firm, styled J.M. Stockbrokers, which would make it a competitor of the family's existing broking firm of Jamnadas Morarjee & Co.

Mahendra Kampani, who runs the latter firm, is apparently against the idea since the tacit understanding in the past has been that J.M. Financial, in which Nimesh has a larger say, would stick to merchant banking. The former has already dashed off a letter to the stock exchange authorities against allowing another member with the J.M. name.

The elder Kampani has apparently asked Nimesh to buy out his stake in J.M. Financial if the latter is going ahead with the move to set up a rival stockbroking company.

The outcome of the tussle is eagerly awaited.

IIM-C (CONTINUED)

Regular readers of these columns will have been following the jinxed appointment trail for the post of director of the Indian Institute of Management, Calcutta (IIM-C). We last reported in November that although the name of Dr Pradip Kakkar had been approved by the selection committee — which was reconstituted after the government rejected Lt. Gen. S. Majumdar's nomination earlier — an objection had been noted on the file pointing out Kakkar's alleged "involvement" in the New Tobacco Co. excise evasion case. (He was only a non-executive director of the company.)

The news now is that Kakkar's explanations have not been found acceptable to the Union human resources development ministry. Accordingly, it's back to square one as far as the search for a new director for IIM-C goes.

GHOSH'S NEXT CHAIR

The retirement last month of State Bank chairman D.N. Ghosh as per schedule took banking circles by surprise. Most of his confreres had expected that Ghosh would be asked to continue in office for the time being, pending an elevation to a higher post. (Speculation has largely centred around his possible appointment as governor of the Reserve Bank of India.)

IS GHOSH STILL GOING PLACES?



According to inside reports from New Delhi, the conjecture about Ghosh's likely elevation is not wholly misplaced. Only, punters have been placing their bets wrongly. A distinct possibility has emerged that Ghosh will be named as the next Comptroller and Auditor General (CAG) of India.

But before the final recommendation goes to Rashtrapati Bhavan — the CAG's post is a constitutional one and the incumbent is a presidential appointee — Ghosh's candidature will have to run through a whole gamut of approvals. And the proverbial slip betwixt the cup and the lip could take place at any point en route. Is Ghosh keeping his fingers firmly crossed these days?

LENDING A NAME

Glindia Ltd. is planning to resume its original garb of Glaxo India. But behind the flipflop in just a couple of years is a realisation by the parent company, Glaxo Group Ltd., of India's increasing importance in the global scheme of things.

Glaxo became Glindia after the parent company diluted its stake in its Indian subsidiary to enable the latter to escape the clutches of Fera. (Western multinationals are generally allergic to lending their names to overseas operations where their stake is less than 50%)

However, with the Indian market burgeoning, Glaxo appears to have had second thoughts. The trend is anyway the reverse. In recent times, IEL has changed its name to ICI (India) and Eyre Smelting to Cookson India. Retaining the goodwill of the original, established name gives an added edge in the marketplace. With competition hotting up, Glaxo India evidently needs all the help it can get.

Glaxo Group, however, has left itself the unilateral option to withdraw its name from the Indian subsidiary, whenever it chooses. Glaxo India can thus no longer do any name-dropping — that's left for big brother.

VENTURESOME BANK

Canara Bank, which is on the threshold of launching a Rs 10 crore venture capital fund, appears to be in a mood for being really venturesome. The Rs 10 crore fund, which could have several other corporate and institutional stakeholders apart from Canara Bank, is specifically aimed at bankrolling hi-tech, high-risk ventures. As if to underscore its willingness to undertake lots of risk, the Canara Bank board has already authorised investments of up to 10% of annual profits in the Canbank Venture Fund, or other such funds promoted in future.

The World Bank is also believed to be willing to chip in with funds in the Canbank outfit.

When you buy a Paharpur-Marley Cooling Tower





Putting in a little extra effort on your order comes natural to a Paharpur man. He'll do everything he can to make sure your cooling tower is manufactured exactly the way it was ordered and gets where it's supposed to be, when it's supposed to be there.

Our engineers are well-trained. Years of experience give them the practical knowledge to meet any challenge. In fact, you may be surprised at how much they know about your plant, your process, your personnel and, in some cases, your old cooling towers.

This is the way we've been doing business for more than 40 years. And we're not about to change now, even if it means burning the midnight oil.

In technical collaboration with The Marley Cooling Tower Co, U.S.A.

Experience You Can Depend On, Quality You Can Trust

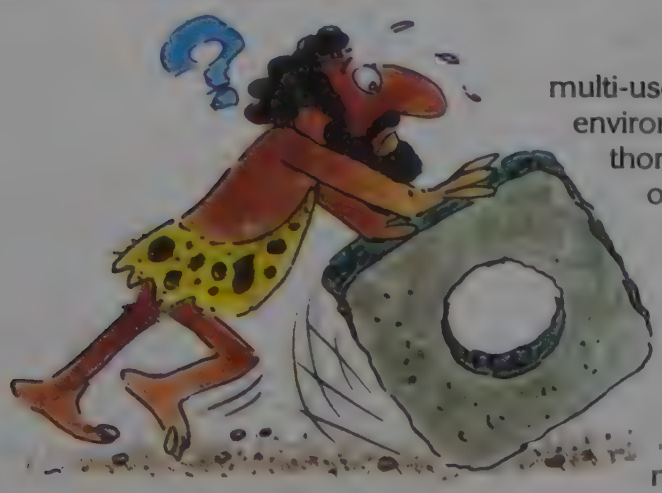
PAHARPUR COOLING TOWERS LTD.,

8/1/B Diamond Harbour Road, Calcutta-700 027, India.
Phone : (033) 45 8956, (033) 49 4150
Telex : 21-8068 PCTC IN, 21-8071 PCTS IN

JET SETTERS/PCT 6/89

REGD NO. MH BYS-141 TN MS(C) 673 WB-66

We re-invented the wheel to give Indian design engineers a total solution



After 100 man-years of R&D we at Godrej finally took the mystique out of CAD/CAM. Instead of taking the usual short cut through foreign collaboration and imported kit assemblies, we developed a totally indigenous solution. To a multitude of Indian design problems.

World Standard Hardware

Symphony is based on the powerful Motorola 680XO family. Including the latest 68030 @ 25 MHz. All implemented on the VME Bus.

Uniplus + ™ Operating System

This system, an enhanced version of AT&T Unix™ V.3.1, provides a multi-user, multi-tasking environment. Moreover, it is a thoroughly tested implementation of Unix and runs on over 100 manufacturers' computer systems.

High Performance Graphics

Symphony offers a wide range of high resolution monochrome (1024 × 768)/ colour (1280 × 1024) monitors.

Wide range of Development & Application Software

Symphony offers a gamut of packages for fields such as Mechanical, Civil/Structural, Electrical and Chemical Engineering as well as Injection Moulding.

For example:

Draftsman's Delight — A general purpose, menu-driven 2D drafting package with a link to a data base.

Graphics Designer's Language — GDL — A parametric language which allows you to programme a standard parts library.

Godrej Solid Modeller — To create, manipulate and visualise 3D geometrical shapes interactively, with a separate data structure.

G-SAFE — A stress analysis package using finite elements with graphic pre and post processors.

CAM Package — To generate CNC instructions. It converts part-drawings into programs for NC machines.

Graphical Kernel System (GKS) — The GKS is implemented in strict accordance with ANSI/ISO standards and supports the latest 'C' binding.

Plus the Unify Data Base Management System, PC Link and Tektronix terminal emulation, as well as a host of versatile application packages.

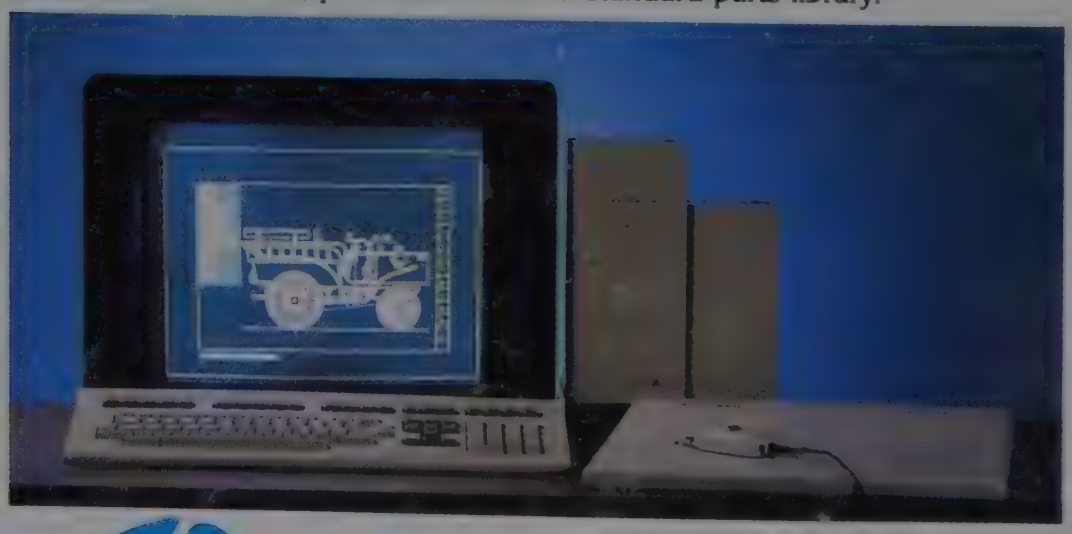
Supports Networking

Using the Ethernet technology, Symphony ensures a high data transfer rate and the industry standard TCP/IP, Networking File System (NFS)™ protocols.

Diskless Workstations

The latest approach to the need for distributed information processing, while sharing a single database.

All Godrej Symphony configurations are available in a diskless version over Ethernet ™ and NFS.



NFS is the trademark of Sun Micro Systems
UNIX is the trademark of AT&T Bell Laboratories
Ethernet is the trademark of Xerox Corp.
UniPlus+ is the trademark of Unisoft Corp.

For more information, contact:
Godrej & Boyce Mfg. Co. Ltd.
Marketing Department (Computers)
Plant 16, Pirojshanagar, Vikhroli,
Bombay 400 079

Godrej®

Symphony CAD/CAM Made for India

ULKA-11759

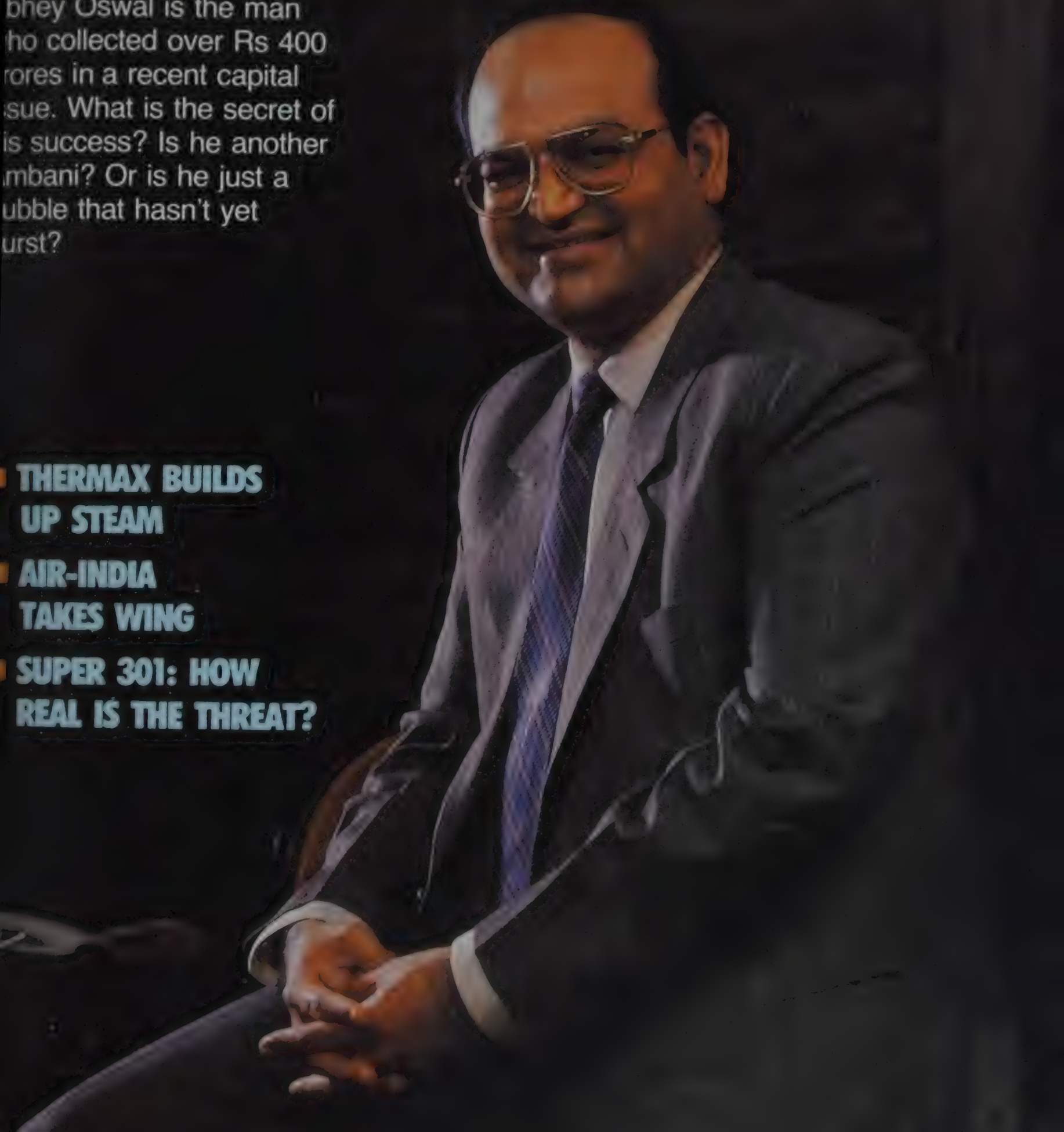
E MAGAZINE FOR INDIAN BUSINESS

JUNE 21-JULY 4, 1999 AN ANANDA BAZAR PUBLICATION RS 7

BusinessWorld

MONEYBAGS

bhey Oswal is the man
ho collected over Rs 400
rores in a recent capital
sue. What is the secret of
is success? Is he another
mbani? Or is he just a
ubble that hasn't yet
urst?



- THERMAX BUILDS UP STEAM
- AIR-INDIA TAKES WING
- SUPER 301: HOW REAL IS THE THREAT?

"It was the attitude which kept the passengers happy."

This is an authentic passenger statement.



Lufthansa

VOLUME 9 ■ ISSUE 6
JUNE 20-JULY 4, 1989 RS 7

BusinessWorld

the magazine for indian business

Editor
R. [illegible]
Assistant Editor
[illegible]
Special Correspondent
[illegible]
Bombay
[illegible]
Maya Rao / Sreedhar
A.H. Ghany
Srinivas Vijay
Delhi
[illegible]
Alam Srinivas
Calcutta
Sujoy Gupta
Madras
Vinay Kamath
Bangalore
N. Raghavan
Hyderabad
P.L. Diwakar Rao
Special Contributor
Subrata Roy
Chief Sub-editor
Mukul Pandya
Sub-editors
K. Madhavadas
Anil Wanvari
Roy Pinto
Niranjan Rajadhyaksha
Art Director
Amiya Bhattacharya
Layout
Hajoo Aslam E
[illegible]
Marshall Mascarenhas

■ **Editorial Office**
145 Atlanta, 209 Ceremonial Boulevard
Nariman Point, Bombay 400021
Phone 221178, 233193
Circulation/Subscription enquiries
Bombay: Ph. 260268
■ **Head Office & Regd. Office**
Ananda Bazar Patrika Limited
6, Prafulla Sarkar Street, Calcutta 700001
Phone 278000, 274880
Regional Offices
Bombay
145 Atlanta
209 Ceremonial Boulevard
Nariman Point, Bombay 400021
Phone 240581, 240426
Delhi
1/7 IENS Bldg
Rafi Marg
New Delhi 110001
Phone 385401 Ext.37 (Editorial)
383058 (Editorial)
389078 (Advtg.)
Madras
Dents Garden, 18 Pattulos Road
Madras 600002
Phone 869379, 868227
Bangalore
14, Madras Bank Road
4th Floor
Bangalore 560001
Phone 568227, 568228
London
Wheatsheaf House, Carmelite Street
Fleet Street, London EC4
Phone 01 353 1821
Inland Subscription Rates
One Year Rs. 110
Two years Rs. 220
Three Years Rs. 330

BusinessWorld does not accept responsibility for returning unsolicited manuscripts and photographs. All unsolicited material should be accompanied by self addressed envelopes and sufficient postage

Published from 145 Atlanta, 209 Ceremonial Boulevard, Nariman Point, Bombay—400021 and printed at 6 & 9, Prafulla Sarkar Street, Calcutta—700001 for Ananda Bazar Patrika Limited by Ranen Chakraborty

BUSINESS QUOTES

■ **No outside power can force upon us or dictate to us the nature, the pace or the degree of change on the pretext of liberalising the world market situation.**

Union finance minister S.B. Chavan on India's response to Super 301, quoted in *The Economic Times*.



■ **We are not carrying on a crusade against the government. We are only checking if public money is spent in the way it should have been.**

Comptroller and auditor general D.N. Chaturvedi, quoted in *Sunday Mail*.

■ **Along with friends, I'd bought just a couple of per cent of the shares and approached the institutions to express our interest. I suppose we'll now sell our shares. I must congratulate Mallya.**

Industrialist L.M. Thapar on his losing out in the race for Best & Crompton to Vijay Mallya, quoted in *India Today*.

■ **All this talk of Indians having to make great sacrifices to achieve a 6% growth rate is meaningless.**

Advisor to the Planning Commission V.G. Bhatia, quoted in *Financial Express*.

■ **If the (Pakistani) military lays one hand on the democratically elected government, they can try eating grass.**

US senator Patrick Moynihan on the possibility of cutting aid to Pakistan, if the military tries to scuttle the Benazir Bhutto government, quoted in *The Indian Post*.

■ **I happen to believe that commercial contacts have led in essence to this quest for more freedom (in China).**

US president George Bush, quoted in *Indian Express*.

■ **For the first time, China's Communist party has been shouted down by the people in whose name it claims to rule.**

Editorial comment in *The Economist*.

■ **The Japanese are perhaps symbolic of the new world. That's a world in which the US is not the pre-eminent power.**

Gordon Berger of the University of Southern California, quoted in *Time International*.

■ **In the past, IBM told people what to do and how to do it. Now, they come in and say: 'Tell us how we can help you.'**

Chief information officer of Kraft General Foods J. Bruce Harreld on the changes in Big Blue, quoted in *International BusinessWeek*.

BusinessWorld

IN THIS ISSUE



OSWAL HAS BIG LEAGUE AMBITIONS

BUSINESS FEATURE

MONEYBAGS

Abhey Oswal, chief of the Oswal Agro group, is the man who collected over Rs 400 crores in a recent rights issue. But right now, he has more money than projects to spend it on. Are his ambitions outrunning his ability to fulfil them? That is a Rs 1,000 crore question, for that's the turnover target Oswal has in mind for his group for 1991.

■ PAGE 61

THE ICI LINK

The first link forged by Abhey Oswal was when he bought ICI India's Rishra unit in West Bengal. Now, the relationship appears to be getting cosier. In the air are deals to use ICI plc's technology for the Shahjahanpur fertiliser complex, if Oswal gets it, and two others for the purchase of ICI India's Kanpur fertiliser unit and a petrochemicals unit from an ICI outfit in the Netherlands.

■ PAGE 63

CORPORATE COMBAT

THE SOAP OPERA

The soap industry is bubbling over. In the premium segment, Godrej and Hindustan Lever are battling for the No 1 slot. In the popular segment, intense price segmentation is taking place. Many others are happy enough to remain as profitable also-rans.

■ PAGE 11

SPECIAL REPORTS

AIR-INDIA TAKES WING

If managing director Rajan Jetley is to believed, the national carrier has just notched up its most remarkable turnaround ever. The airline's net profits of Rs 43 crores in 1988-89 should do wonders for its public image, but Jetley has some cosmetic changes too in mind, from developing a new logo for the airline to changing the uniforms of its personnel.

■ PAGE 42

HIGH-FLYER JETLEY

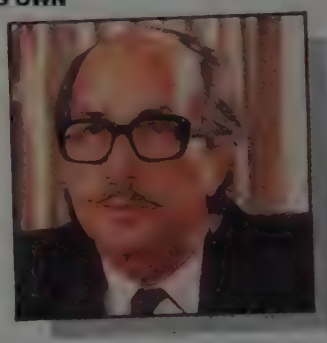


WAHI'S WINNING WAYS

Under Col. S.P.Wahi, the Oil and Natural Gas Commission has achieved a degree of insulation from political interference as well as wrested some real autonomy. But the Commission has not been entirely successful in achieving its primary goal of increasing the country's self-sufficiency in oil.

■ PAGE 47

WAHI HELD HIS OWN



COMMENT

THE SOUND OF SILENCE

The dripping, noisy window-type air-conditioner is undergoing a sound revolution. The era of the silent, compact split air-conditioner has dawned, and so has competition among the cool persuaders.

■ PAGE 13

BAD DEBTS AND GOOD BANKING

Indian banks have been showing a lackadaisical approach towards loans provided to revive sick companies. It is about time they cracked the whip to retain credibility.

■ PAGE 89

IN THIS ISSUE

ECONOMY & BUSINESS

SUPER 301: HOW REAL A THREAT?

Super 301, a part of the US Omnibus Trade Act that is to be used as a lever to open up markets that allegedly discriminate against US goods, is being invoked against India. Is Super 301 all that potent a threat?
■ PAGE 22

FULL OF BEANS

Hope has sprouted for the soya-based industry, now that the weather gods have ordained a bountiful crop. Not surprisingly, many soya units are emerging from the sick list.
■ PAGE 24

BITTER-SWEET PROSPECTS

It looks as if the sugar industry, which was only last year patting itself on the back for becoming the world's largest, is back to square one. With a production shortfall looming, imports are on the cards once again.
■ PAGE 25

SPOTLIGHT

THERMAX BUILDS UP STEAM

Under the leadership of Rohinton Aga, Thermax Pvt. Ltd., the Pune-based boilers company that has undertaken some adventurous diversifications, is roaring full steam ahead. Putting behind recent memories of a financial crunch, this technology and market-driven company is set to go places.
■ PAGE 84

IN THE NEWS

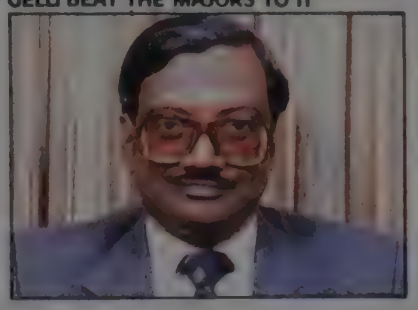
READYMADE FOR SUCCESS

Madura Coats is getting more metros to hawk its Louis Philippe and Elysee brands of labelled shirts. K. Sukumar, president (finance & trading), is predicting happy times. The plans are to extend the lines into trousers. The target for 1992 is to sell Rs 15 crores worth of shirts and Rs 5 crores worth of trousers.
■ PAGE 30

SERVING THE SMALL INVESTOR

Ramesh Gelli, chairman of Vysya Bank, has beaten hotshot public sector banks by kicking off investors' clubs in the

GELLI BEAT THE MAJORS TO IT

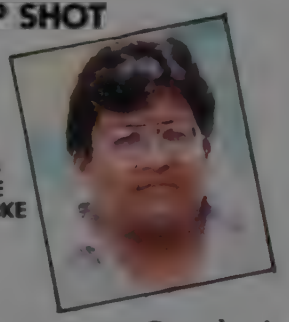


four metros. The idea is to eventually help in providing better services to investors in way-out areas too.
■ PAGE 30

A REFRACTORY PROBLEM

Refractory makers are in the doldrums. They are feeling the heat of changing market conditions, capacity underutilisation, escalating raw material prices and government levies. They would like to hike the prices of their products.
■ PAGE 31

A CHIP SHOT



GOENKA'S CHIPS ARE SELLING LIKE CAKES

Upstart Hemant Goenka is chirpy about potato chips. His FunMunch brand is selling like hot cakes in Calcutta.
■ PAGE 32

A THIRST FOR SUCCESS

Bombay-based Akshaya Parker has uncorked a challenge to market leader Bisleri in mineral water. He's confident his Aquaspa will draw custom. He is pricing the product the same as Bisleri.
■ PAGE 34

AGA IS TAKING THERMAX PLACES



OTHER PAGES

BUSINESSPEOPLE ■ PAGE 4

EDITORIAL ■ PAGE 5

LETTERS TO THE EDITOR ■ PAGE 6

GOVERNMENT WATCH ■ PAGE 7

AD & MARKETING WORLD ■ PAGE 10

MANAGEMENT ■ PAGE 19

POLITICAL COMMENT ■ PAGE 28

TECHNOLOGY PLUS ■ PAGE 38

COMPANY NEWS & EVENTS ■ PAGE 51

TAXATION ■ PAGE 60

INTERNATIONAL NEWS ■ PAGE 71

STOCKMARKETS ■ PAGE 92

MONEY & INVESTMENT ■ PAGE 94

PEOPLE & PLACEMENTS ■ PAGE 101

PICK OF THE JOBS ■ PAGE 102

EXECUTIVE CAREERPATH ■ PAGE 104

APPOINTMENTS ■ PAGE 105

ECONOMIC REVIEW ■ PAGE 125

OFFSTAGE ■ PAGE 128

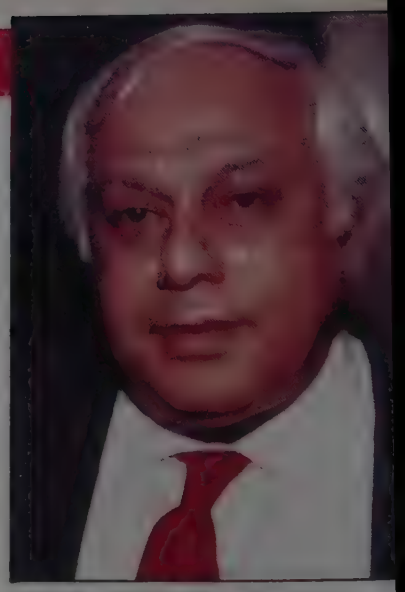


PADUKONE WILL TRY TO MAKE PUMA A SMASH HIT

He is putting his best foot forward in his new incarnation. Prakash Padukone, former badminton ace, has taken up a new assignment — selling Puma shoes in India. Padukone has, of course, been helping push Carona shoes since 1987. But now, with Carona's tieup with Puma, he will be flogging the Carona-Puma makes too.

Internationally, Puma has a lot of superstars — Pele, Diego Maradona and Helena Sukova, for instance — in its stable. But Padukone thinks he is in a different league. "My contract with Carona is not only for the endorsement of their shoes," he says. "I'm a brand promotion manager."

How does he feel about Puma shoes? Were they his mainstay during his badminton-playing days? Answers Padukone: "I have worn two or three types and the Puma ones are as good as the others." There are no accolades, it seems, for Puma alone. Given his new job, would that be a foot in the mouth fault?



VASUDEVA CAN WITHSTAND THE PRESSURE OF COMPETITION

Brahm Vasudeva, chairman and managing director of Hawkins Cookers Ltd. says that "pressure is counterproductive." That's a strange confession for a man who has made a small fortune hawking Hawkins pressure cookers. But Vasudeva is talking about something else — advertising.

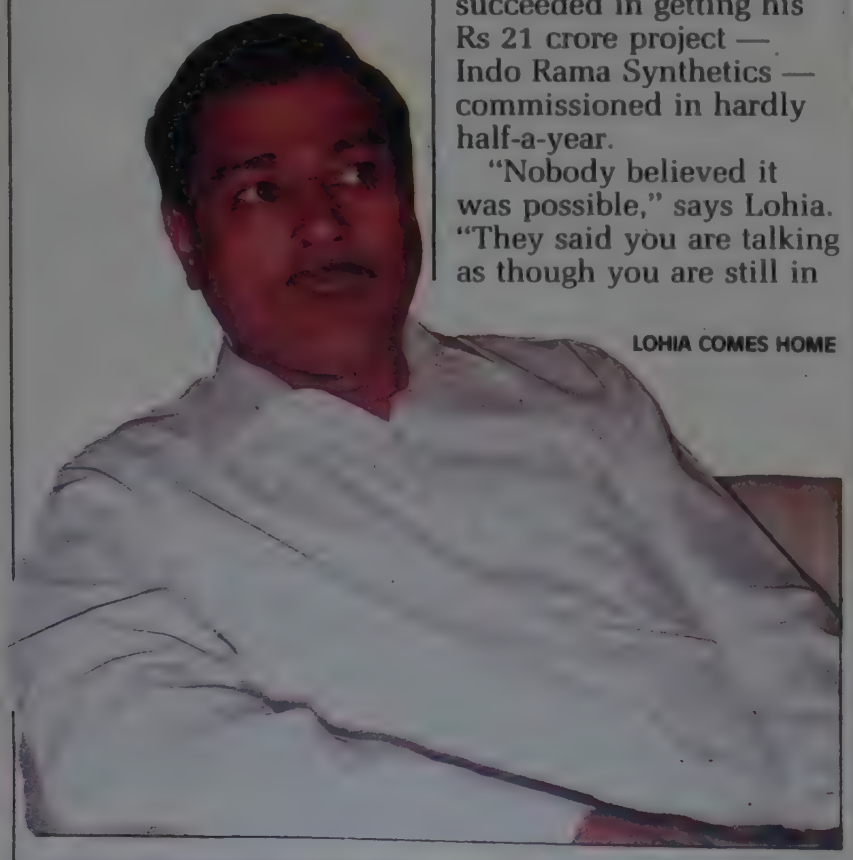
"You can't pressure a person into buying something he does not want," says he. "If you try it, you may actually end up selling less."

Vasudeva would obviously like to sell more; and of other things too. He has just launched a new line in non-stick pots and pans and is trying to give a boost to sales of the recently-introduced Hawkins pressure cooker masala.

From masala to foods is not a very big jump and it could well be Hawkins' next foray. "Possibly," says Vasudeva. "But we haven't decided on anything yet."

Meanwhile, despite the presence of 115 pressure cooker brands, Hawkins is doing well. "We are the leaders," says Vasudeva. For Hawkins, obviously, it is not a case of too many cookers spoiling the broth.

It's been a happy homecoming for O.P. Lohia, scion of the Indo Rama group which has a Rs 216 crore empire spread over South-east Asia. Making his first foray in India, Lohia has succeeded in getting his Rs 21 crore project — Indo Rama Synthetics — commissioned in hardly half-a-year.



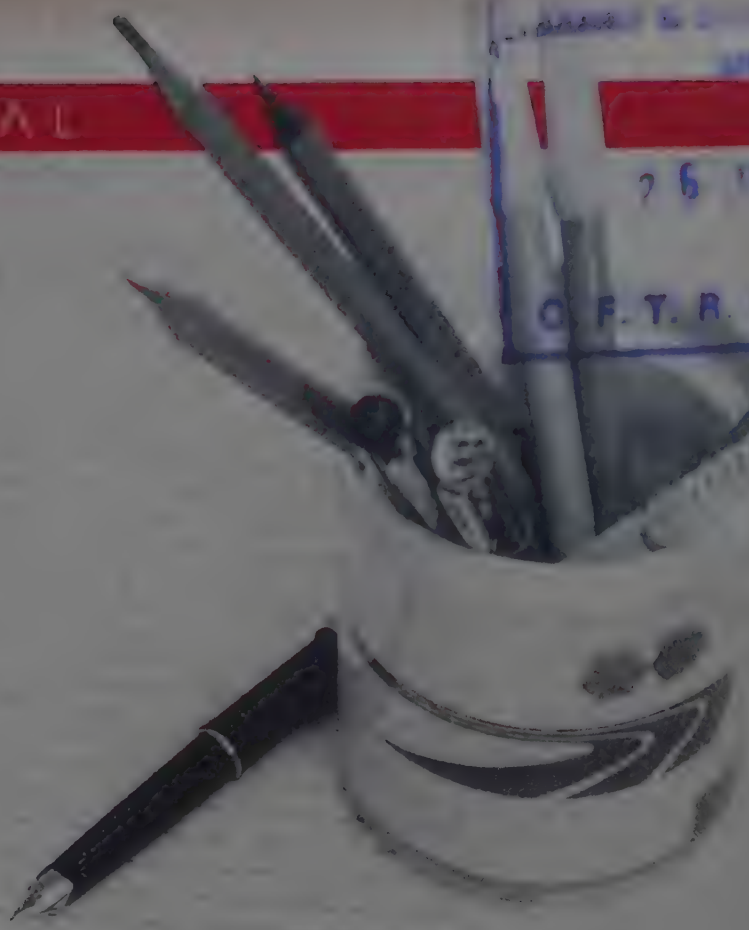
LOHIA COMES HOME

"Nobody believed it was possible," says Lohia. "They said you are talking as though you are still in Indonesia. We have proved them wrong." The Indo Rama unit, construction of which started in August 1988, has already started commercial production.

But what brought the roving Lohias home at last? There are no lofty ideals here. "We were chased out of Burma when everything was nationalised in 1962," says Lohia. "The climate in other countries is uncertain. One thing we can be sure of is that India will remain a democracy. You can't have somebody who believes in communism coming and changing everything."

Lohia has obviously a distaste for things red. If that extends to his balance-sheet, he should keep his shareholders happy.

C.F.T.R.I., MYSORE



A SHAMEFUL RECORD

Convincing proof that governance and enterprise do not mix has now been handed down by the Union government's own monitoring wing, the department of programme implementation. An analysis published last month shows that as on 1 January this year, the cumulative aggregate delay suffered by 297 public sector projects tots up to a staggering 541 years. Inevitably, this delay has led to cost overruns: the difference between these projects' original and "latest estimated" costs is no less than Rs 29,279 crores.

These, then, are some of the physical dimensions of the continuing mismanagement and negligence bedevilling large swathes of the Indian economy. Most of these time and cost overruns-plagued projects are in core sector areas like power, coal, paper, fertilisers, steel, telecommunications and petroleum, among others.

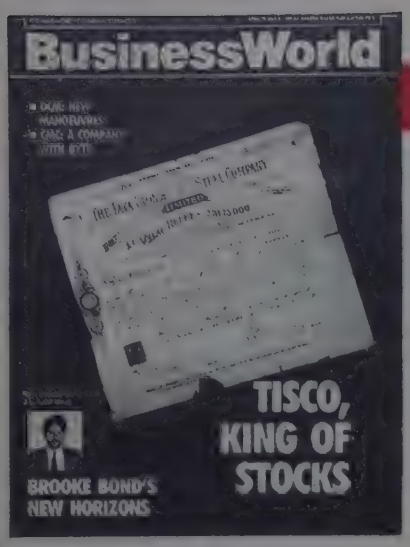
Seven elaborate plans have come and gone, yet going by the programme implementation ministry's report it seems the governmental machinery still stumbles over the simplest of project management steps.

Some reasons are maddeningly puerile. Samples: inadequacies in project identification, lack of rigorous technology assessment, poor selection of consultants, non-availability of controlled items like steel or cement, and so on. Needless to say, monstrous inefficiencies have affected each and every stage of project implementation from pre-investment work to tendering and ordering, and from construction and site management to commissioning. The track record is one of shame.

For obvious reasons, the ministry's analysis stops short of a probe into the causes of delay, not to mention the absence of even a hint as to who should be blamed for it. But then one cannot expect the defendant to be his own judge and executioner. Besides, this ministry's maiden attempt at suggesting redressal measures — remember the Ratan Tata committee report of 1987 which was an outcome of the then newborn department's initial creative enthusiasm? — was promptly cold-shouldered by the administration.

And neither is it at all likely that any remedial measures worth their while will be taken. Their track record of proven managerial ineptitude notwithstanding, both politicians and bureaucrats simply have too many vested interests at stake in being the arbiters of public spending. If they are loth to give up the power of the pursestring, it is only human nature.

Rather, the question is whether the citizenry — whose trust has been betrayed by its mandatories — can be reasonably expected to condone such foibles indefinitely.



LETTERS TO THE EDITOR

AN ADMIRER

In your Special Report titled 'Tisco — King of Stocks' (*BW* 26 April-9 May), you have strongly backed Tata Steel's enviable record, and rightly so. Except on two scores: the recent fire at Jamshedpur on Tisco's founder's day celebrations, and its attempt to put up a coal-based sponge iron plant in Orissa.

While the first was an unplanned and most unfortunate incident for which Tata Steel may not be fully responsible, the company's foray into sponge iron making was a calculated move and — at least from the viewpoint of the spirit of entrepreneurship — it deserves credit. Ipitata had a most difficult time in the first two years — about this there is little doubt — but isn't that the case with many new enterprises in India, even those based on established technologies?

Tata Steel's efforts at evolving a *swadeshi* technology rather than going in for foreign technology need to be looked at from this angle. All over the world, coal-based sponge iron manufacturing ventures have had operating problems, not all of which are connected with technology. These problems concern the maintenance of sustained production and getting adequate returns (like Ipitata).

It is also interesting to note that the international production of sponge iron was 14.3 million tonnes (m.t.) out of an installed capacity of 24.4 m.t. in 1988, i.e. an overall capacity utilisation of only 58%. Out of this, gas-based plants — an area into which India is just venturing and possibly Tata Steel too — produced 13.2 m.t. and coal-based plants just over 1 m.t.

Non-operational plants accounted for 3.75 m.t. of the production shortfall compared to installed capacity, plants at the start-up stage for 1.8 m.t. and plants with technical/operating problems for 4.52 m.t.

Tata Steel's Ipitata venture belongs to the last category and should not be considered as having tarnished this industrial giant's fantastic track record. I have been fully aware of Tata Steel's sponge iron work and I admire, rather than decry, it as an invaluable effort.

H. BHUSAN
New Delhi

CHOCOLATE LEADER

The Corporate Combat article by D. Shivakumar (*BW* 26 April-9 May) says that Cadbury's faces competition from Amul, Campco and other brands. In the eastern region, however, Campco is no match for Cadbury's. Cadbury's is No.1, followed by Amul at No.2.

Being a retailer I have noticed that Campco has not been able to get a foothold in the market as its quality is not accepted by consumers (barring its eclairs). Customers seldom ask for Campco. Also the staff at Campco's Calcutta office is inefficient. Stockists are not satisfied with the company since it is blocking stockists' money.

S.K. GHOSH
Asansol

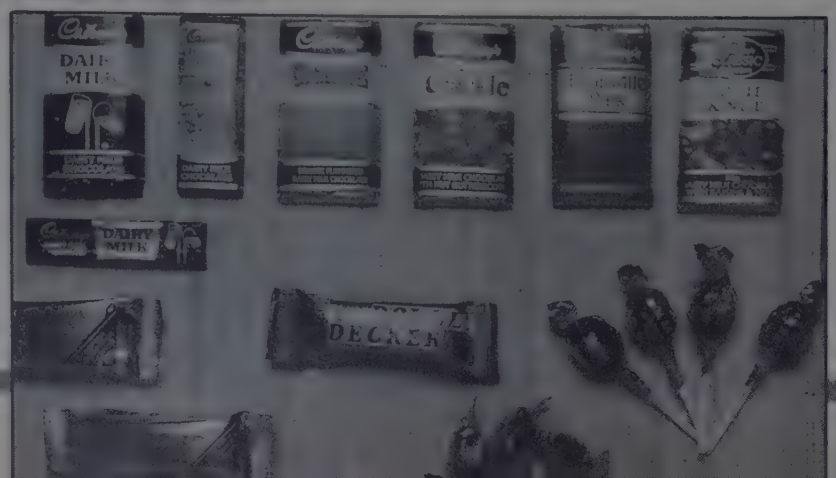
GENUINE BOOM

This relates to the article "Will the boom cool off" by Gul Teckchandani (*BW* 26 April-9 May). The author writes that a similar boom was witnessed in 1985 in which people lost money by entering at the peak level. I do not agree with the author's view that the same could happen in the current boom.

The 1985 boom was artificial, unrealistic and premature. But it is a different story now. For one, the P/E ratios of companies are lower. Besides, there are several positive factors like rising EPS and better bonus and growth prospects for the corporate sector, which were lacking in the 1985 boom. Exports are on the fast track and corporate balance-sheets are showing a very healthy trend. The economy, too, is very healthy.

PREMCHAND JAIN
Rajkot

CADBURY'S: WELL AHEAD



COLGATE'S REBUTTAL

This refers to a news item carried in *The Economic Times* dated 30 May 1989 titled 'Excise, ST officials spot tax evasion: Colgate on a sticky wicket.' Colgate Palmolive (India) Ltd. categorically denies the allegations and insinuations contained in the said report. The true position becomes clear from the answers give to two questions in the last Lok Sabha session, as quoted below:

- On 28 April 1989, the minister of state in the ministry of finance stated: "No show cause notice for evasion of Central excise duty has been issued to Colgate Palmolive (India) Ltd. in the recent past."
- On 2 May 1989, the minister of state for industrial development said: "Under the provisions of the Industries (Development & Regulation) Act, 1951, no permission is required to be obtained by companies for marketing items manufactured by small scale units. Colgate Palmolive (India) Ltd. have informed (us) that they purchase toothpaste and toothpowder on contract from small scale producing (sic) companies for marketing in their own brand name."

The above facts clearly show that Colgate has followed the laws of the land and is not being accused of any evasion of tax. One is, therefore, surprised that there is a reference in *The Economic Times* report to excise and sales tax officials spotting tax evasion.

P.R. KESHWANI
Company Secretary
Colgate Palmolive (India) Ltd.
Bombay

NARROW ESCAPE FOR TTCI

The Tea Trading Corporation of India (TTCI), which was recently in the news for having allegedly given irregular commissions on the export of tea, seems to have escaped by the skin of its teeth on an older charge — that of misusing replenishment (Rep) licences.

The TTCI has vigorously denied the latest allegations made by the CPI member of parliament, Gurudas Dasgupta, but it must be heaving a sigh of relief on the Rep case. The charges were so serious — they involved the irregular sale of Rep licences — that the government had the matter investigated by the CBI. After a long and detailed enquiry, the CBI could discover little more than tantalising clues; it did not come up with any concrete evidence of the alleged irregularities.

In its report to the government, the CBI admitted as much and concluded that the "case falls short of cogent evidence to launch prosecution against the accused persons." The case has now been dropped.

The wrongdoers, if any, apparently covered their tracks well.

WHO'LL HEAD RCF?

The minister of state for fertilisers, R. Prabhu, is apparently making a last-ditch attempt to instal a man of his choice as wholetime chairman and managing director of Rashtriya Chemicals and Fertilizers (RCF). And this, despite the recent approval given by the appointments committee of cabinet (ACC) to H.S. Kohli's candidature. Kohli is currently executive director of the Krishak Bharati Cooperative Limited (Kribhco).

When the RCF post fell vacant on 31 July 1988 following the retirement of Duleep Singh, Prabhu first sought to appoint the then CMD of Hindustan Fertilizer Corporation (HFC), Sebastian Jacob, to fill the vacancy. The move failed as neither the bureaucrats in the department of fertilisers nor the Public Enterprises Selection Board (PESB) supported this proposal. While the bureaucrats felt that HFC needed Jacob's services as he had joined the company hardly a year ago, the PESB argued that the RCF chief could not be appointed by bypassing the selection procedure.

Prabhu reconciled himself to the idea and the PESB, in due course, shortlisted Kohli and S.R. Sahore, executive director of the Indian Farmers' Fertiliser Cooperative (Iffco), for the post. While both candidates are rated quite high in the profession, Prabhu backed Sahore. His boss, agriculture minister Bhajan Lal, however, backed Kohli.

Even as the cabinet secretariat bureaucrats were considering measures to resolve this conflict, Bhajan Lal's supporter and politician-cum-chairman of Iffco, Ghanashyam Singh, managed to get a resolution passed by the Iffco board in February to suspend Sahore for alleged irregularities in payments made to two transport contractors.

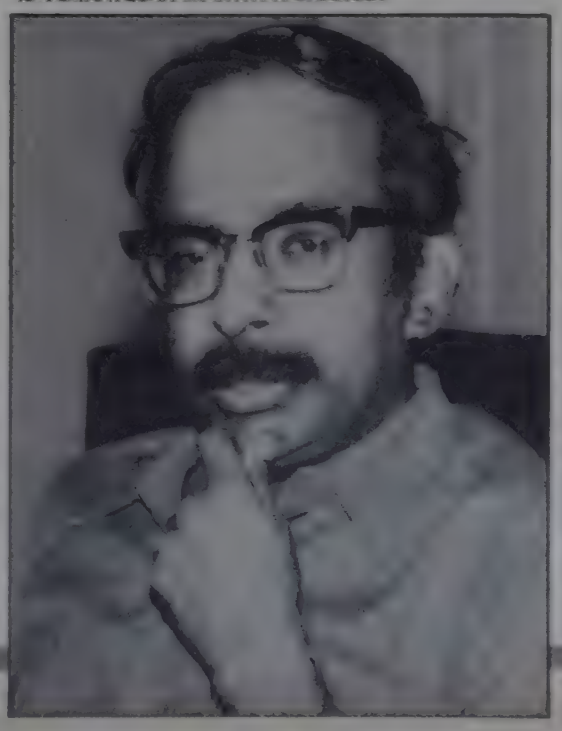
The basis for the allegation against Sahore was an unfinished internal audit report of the cooperative. Prabhu, however, got the resolution revoked within two days of its passing.

Nevertheless, Sahore, who is widely believed to be an honest and upright professional, was out of the reckoning for the RCF post.

In May 1989, the appointments committee cleared the appointment of Kohli, who also enjoyed the support of Buta Singh, home minister.

Prabhu is, however, sitting over the committee's recommendation in the hope that Kohli will agree to give up his claim to the RCF job and accept another instead. Though Prabhu has not formally initiated a move to make the acting CMD-cum-finance director of RCF, R. Venkatesan, the permanent chief, the indications are that that is what he wants to do.

IS VENKATESAN IN WITH A CHANCE?



DILLY-DALLYING ON KRIBHCO'S BID

Good track record is a phrase one used to hear often from ministerial mouths. Pranab Mukherjee, as finance minister, used to assert that private companies with good track records would not be allowed to be destabilised by corporate raiders.

But does a good track record weigh with the government in awarding new contracts to existing public or cooperative sector units? With the recent emphasis on panchayati raj and power to the people, one would have thought that the government should not have to think twice about encouraging the cooperative sector.

Take the case of Kribhco (Krishak Bharati Cooperative). It has successfully commissioned its Hazira fertiliser plant well ahead of time. In all the three years since commissioning, Kribhco has operated the plant at more than 100% capacity. It has prepaid loans to the government totalling over Rs 200 crores. Even after this, it has shown excellent profitability in all the three years.

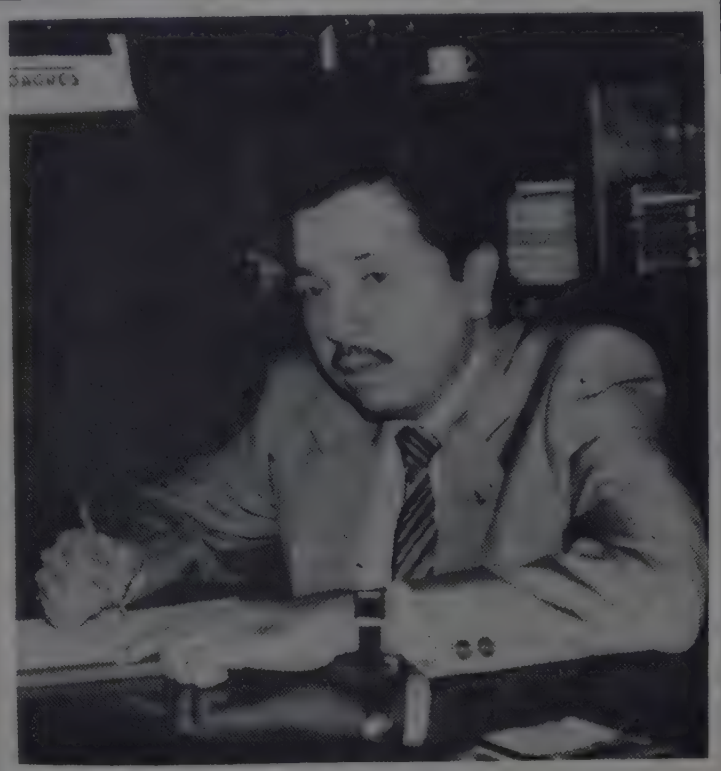
Kribhco has naturally made a bid for another fertiliser plant (at Shahjahanpur) on the HBJ gas pipeline route. This plant was originally offered to DCM in 1984, but the latter did not take it. Then Swraj Paul walked in in 1985, and walked out three years later. Five precious years have been wasted. Kribhco has offered to set up this plant at a cost of about Rs 700 crores, which is Rs 100 crore less than the estimate prepared by Oswal Agro, the other major contender for the project. And yet, a decision on the Shahjahanpur project was shelved last month by the standing committee of secretaries for fertiliser projects.

The suggestion for a postponement, surprisingly, came from the finance ministry, it is learnt. This ministry, at least, should know the value of money. The Shahjahanpur project was ditched twice by private sector industrialists. Does the ministry believe that it'll be third time lucky, assuming the project goes to Oswal?

Kajaria Ceramics Limited

REGD. OFFICE A-27 & 28, SIKANDRABAD INDL. AREA , SIKANDRABAD, DISTT. BULANDSHAHAR (U.P.)

Excerpts from the speech of Sh. A. K. Kajaria, Chairman at the Third Annual General Meeting of M/s. Kajaria Ceramics Ltd. on 19.05.89.



Mr. A. K. Kajaria
Chairman, Managing Director

Dear Shareholders,

I have great pleasure in extending to you a very warm and cordial welcome to this Third Annual General Meeting of your Company.

The Notice convening meeting, the Directors Report, Auditor Report and the Audited Accounts for the period ended 31.03.89 have been with you for some time now. May I therefore, with your permission, take them as read.

Operations

I am pleased to inform you that the period under review has been a great land-mark in the history of the Company. The Company has completed the Project in a record time despite several constraints. The commercial production commenced on 12.08.88 **It is a matter of great achievement for the Company that production of printed and decorative tiles has been achieved with full capacity utilisation from day one.** During the operations of first 7½ months, the Company has achieved a record turnover of Rs. 6.83 crores. The Company has earned a nominal profit of Rs. 92000/00 after deducting finance charges amounting to Rs. 1.26 crores and depreciation of Rs. 79 lakhs.

In September '88, the Company made a public issue of 22 lakhs shares, which was well responded to. The issue was over subscribed by 2.76 times despite sluggish capital market conditions. I convey my sincer thanks to all the shareholders f their kind support in the publi issue of the Company.

Prospects

The products of your Company have been well received in the market. The Company is getting repeat orde from the dealers all over the country with the tremendous increase in construction activit and with change in the attitude the builders. The demand for ceramic tiles is increasing day day. The trend of production a sales during the 1½ months period of current year is encouraging.

The Company is having technical collaboration with Todagres SA, Spain. The tiles

in collaboration with TODAGRES Spain

anufactured by your Company re being extensively used both s wall and floor tiles in various omestic, industrial and ommercial applications such as rawing rooms, kitchens, bath ooms, hospitals etc. Lower aintenance cost, lower bsorption of water, lesser weight, igher abrasive strength and the hoice of wide range of colours nd designs gives our tiles a istinct advantage over marble, osaic and synthetic tiles. The les manufactured by your mpany have other added enefits of being scratch proof, re proof, having high load earing capacity, excellent nsulation. The technology elected by your Company for its lant is the advanced and eveloped version of the Single ast Firing technology which cuts own the production time and ost.

EXPANSION

Keeping in view the esponse to the Company's roducts in the market, the anagement has decided for xpansion of annual capacity f the Plant from 12,000 M.T. o 26,000 M.T. Your Company as obtained all Govt. earances for the expansion rogramme. The expansion cost is estimated at Rs. 9.50 crores. The means of financing the expansion programme are being worked out and details of the same shall be sent to you immediately on its finalisation. The expansion programme will certainly involve right issue in the shape of convertible debentures or equity shares. Your Company is taking all the active steps to complete the expansion programme by March '90. The turnover for full year working ending 31.03.90 without expansion programme is estimated at Rs. 15 crores and for full year ending 31.03.91 after expansion is expected to be Rs. 30 crores. The profitability of the Company is bound to increase substantially with increase in turnover.

EXPORTS

In keeping with the national objectives, every effort is being made to enter the export market inspite of being highly competitive. If the efforts are successful, the Company is likely to get several benefits.

INDUSTRIAL RELATIONS

The industrial relations have been harmonious in keeping with the good traditions and culture of your Company. I am confident that your Company would continue to receive the support of employees in the best interests of all concerned.

ACKNOWLEDGEMENT

May I conclude by conveying deep gratitude to financial institutions, and Govt. Deptts. I have my esteemed thanks to our valued customers and to our suppliers and bankers for their continued support. I shall be failing in my duty if I do not place on record my deep appreciation of the assistance I have received from my colleagues on the Board. I am indeed proud of my workers, staff and Senior Executives at all levels for their dedicated work. I am specially grateful to you, shareholders for your support and confidence in Company's Board and Management.

JAI HIND.

Note: This does not purport to be a record of the proceedings of the Annual General Meeting

PERFECT FLOORS

Kajaria

Kajaria Ceramics Limited

CORPORATE OFFICE : C-7, East of Kailash, New Delhi-110 065

CUTTING IT FINE

The cigarette industry is caught between the devil and the deep sea. On the one hand, the health crusaders are waging a war against smoking. On the other, the revenues from cigarettes are too large and the arena too lucrative to allow the industry to be shut down. The crusaders are on a stronger wicket the world over. Yet the tobacco companies persist in launching new brands in the hope of raising a few sparks.

This explains Gold Fine Cut, the new filter cigarette from VST Industries. Since the time VST's Charms captured a sizeable chunk of the market, no other brand has succeeded well.

Gold Fine Cut, however, is going down the same path like many other brands. The cigarette is being sold merely as a cigarette with abstract adjectives like rich, smooth and satisfying appended to the brand. It lacks USP.

What contributed to the success of Charms was the distinct denim-wrapped personality the brand had. The slogan 'Spirit of freedom,' the target audience definition, the creative and the pack had synergised to create a wholesome product proposition.

It will now be very difficult for Clarion, the advertising agency in charge, to match the standards. And the obscure creative is unlikely to help. "Taste the spirit of freedom" was a slogan the target audience could identify with. The Gold Fine Cut message "Strike rich, strike gold" suffers from total lack of credibility. The target audience is not so clearly delineated either.

VST is obviously cutting it fine on product acceptability this time.

(S)WATCH OUT

When time came to be equated with money, the watch industry got a fillip. It needed it; a few decades ago watch ownership was restricted to adults. The just-out-of-college, first-job youth owned a watch that invariably was a gift from an older person.

Over the years, watch ownership has been extended to even school-going children. More importantly, youngsters have been selecting their watches.

Recognising this trend, Titan introduced a range called Fastrack with colourful dials. Then Allwyn introduced a range called Trendy. Marketers and industry watchers pronounced that Allwyn had not been innovative enough. The concept of such watches, they claimed, had been adopted from the international T-Swatch range.

Thus, there couldn't have been a more opportune moment for T-Swatch to enter the market. Brand awareness of the international range had already been created. And the opposition to gaudy watches has been partly whittled down.

There is one more plus point. Yuppies today own more than one watch — one the formal, officewear watch, and the other the more casual, rough use watch. Trendy had aimed at the latter slot and T-Swatch is similarly targeted.

If the environment is favourable for T-Swatch, the ad creative is gross enough to handicap the brand. The watches were meant to be casual and colourful. With the inept visual they come through as being loud and outlandish. Multiple ownership is fine but no consumer will empathise with simultaneous multiple usership — three watches on each hand. Further, each watch seen in isolation, matched with the model's attire, might appeal. An array of ghastly dials, frames and colours against bare bikini-clad forms are likely to upset even the thick skinned.

Will T-Swatch thus be able to prompt a T-Switch?



DYEING BATTLE

As a product aimed at rejuvenating men and women alike, hair dyes have been surprisingly ignored by marketers. Holding the fort is the *numero uno* — Godrej Hair Dye. An antiquated product, the formula involves peroxide, mixing ingredients, colouring hair (no stains on forehead and neck), etc.

When a small brand Bigen entered the market, Godrej looked askance. Bigen, despite the claimed Japanese formulation and heavy mass media advertising, was burdened with a price almost double that of Godrej. The sniggers did not last too long as an excise duty revision took its toll on Godrej. The company had to pass on the entire additional liability. Bigen, on the other hand, absorbed part of it.

The two brands were on a par price-wise and the ad wars dwindled as each settled to cater to a distinct target audience: Godrej to the high volume, middle income segment, and Bigen to the restricted upper class consumer franchise.

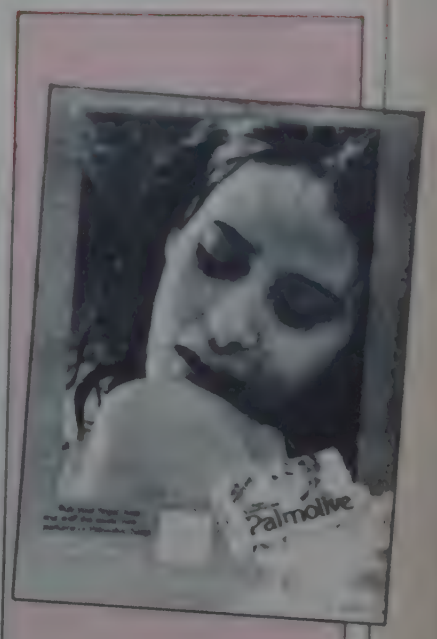
As good marketing requires product differentiation, Bigen is fighting for supremacy through product modification. Keeping up with the trend of converting solids to liquids (detergents, blues, soaps), Bigen has introduced a new liquid hair colouring. The press campaign is visually arresting for it highlights the single major problem of powder dyes — that of messiness and staining.

What helps Bigen is the added conveniences. These include the thin polyfilm gloves which cost so little and yet are valued so much, and the range of colours — not just black and brown but also brown-black, to cater to a wider audience.

Bigen had earlier met with resistance because it was a costlier product in a small packet. To add insult to injury, once opened, the bottles inside were almost half the size of the outer packet. Obviously the carton size had been increased to conceal the miniscule size of the product. Careful about not repeating the same mistake, the bottle for the gel variety is bigger. An added convenience is the inclusion of an applicator for spreading the dye.

Bigen's prospects are not exactly hair-raising. But, then, it is no longer a do or dye battle.

THE SOAP OPERA



The soap industry can broadly be classified into two segments: the premium one, which comprises soaps priced at Rs 4.50 and above for 100 gm cakes; and the popular, where soaps are priced below Rs 4.50 per 100 gm. At last count, there were 85 brands of premium soaps and more than 150 popular ones. Only a handful of them make any contribution to their companies' respective kitties. Yet, hope springs eternal in every other marketer's breast while launching a soap. And right now, it is Karsanbhai Patel on whom all eyes are focussed as he prepares to launch his Nirma toilet soap. Will Nirma make it in the popular segment?

In the past few years, however, it is the premium segment of the market that has seen hectic activity. It is widely believed that this has been the result of (a) the delicensing of soaps by the government, (b) the removal of the surcharge on excise duty, (c) the plentiful availability of soap-making capacity, (d) the availability of established skin-care product brand names for use in soaps, and (e) the high degree of novelty purchases in soaps. It is thus easy to ensure trial as long as you build awareness.

IDENTIFYING GROWTH

The credit for identifying growth in the premium segment should go to Pond's, which shook the market with its Dreamflower soap. Somewhere along the line, however, the dream flower wilted, and a potentially successful brand became an also-ran. Today, the Pond's effort looks lackadaisical. The company is running its launch ad of 1983 which says "New Pond's soap."

Nevertheless, Pond's initial success got the bandwagon rolling and many have jumped onto it since. There have been three types of entrants into the market:

- Companies dealing in skin-care (cosmetic) products which did not have to invest in a new brand name or in a plant;
- Companies which invested in a new brand name while opting for third party manufacture. And
- Existing manufacturers of soaps.

In the first set were companies like Richardson Hindustan Ltd. (RHL, now Procter & Gamble India), Reckitt & Colman India (RCI), Lakme and Pond's. All of them entered the market via existing brand names, thus lowering the outlay on advertising. P&G introduced Clearasil, only to withdraw it two years later. RCI introduced Dettol soap, relaunched it within two years and made a fair success of it. Lakme offered Lakme soap only to withdraw it because of perfume problems. Clearasil soap was manufactured by Karnataka Soaps & Detergents Ltd., Dettol by Godrej and Lakme by Tomco.

In the second set were Eskayef and Burroughs Wellcome. Eskayef launched Super Fresh and supported it with a campaign which was confusing. Burroughs Wellcome introduced Montage and wound up in pieces. Super Fresh was manufactured by Godrej while Montage was processed by Wipro.

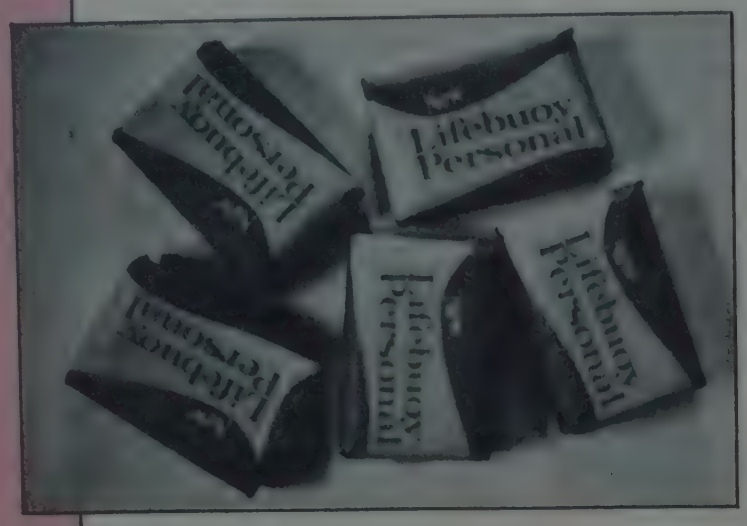
PREMIUM BUBBLE

The first two categories of entrants provided the showreel for the third category to come in with a full feature. The big three, Hindustan Lever Ltd. (HLL), Tomco and Godrej did their bit to make the premium market bubble. HLL test-marketed Caress but couldn't hold on to it as costs escalated. Liril was relaunched and it continues to stay No.1 in the premium segment — a position it has held since the start. Less than a year ago, HLL went national with Interna-



The premium segment of the Indian soap market, with its lucrative margins, is currently seeing a keen fight for the No.1 position between Godrej and Hindustan Lever

tional Lux — a brand which is currently doing well. But won't there be a confusion about which 'Lux' is what? If 'Lux' is the soap of Indian film stars, will 'International Lux' be the soap of international stars? So, when a consumer moves up from Lux, is she (or he) expected to move to International Lux ? A natural upgradation?



Godrej has come to believe in the ready, aim, fire philosophy in this market. It relaunched Cinthol, brought back old Cinthol (and added market share in the bargain) and promoted Crowning Glory and Marvel. Crowning Glory met with inglorious disaster in positioning to start with — 'a hair care soap.' The marketing has been revamped now and Glory is seeing less gory days. Marvel was a good product to start with and has achieved what Godrej expected out of it. The Marvel positioning strategy is something to marvel at: it varies from region to region. In the north, the image is built around an air hostess, while in the southern markets, Marvel is positioned as a soap for upmarket housewives.

Among the other soap units, Wipro launched Bubbles , a soap for children. Like all bubbles, this one also burst, but for a totally different reason. Tomco took Wipro to court and pleaded before his lordship that Wipro should not be allowed to use the name Bubbles since it was phonetically similar to Dubble , a detergent marketed by Tomco. In the end, it was double for Tomco and quits for Wipro. The court agreed with Tomco since toiletries, soaps and detergents fall under one head and near-similar names are not allowed in such cases.

Currently, there is a keen fight for the No.1 position in the premium segment. Godrej Soaps overtook HLL some months ago, but HLL has fought back with International Lux. And it's a see-saw battle right now.

Of the late entrants in the premium slot, Palmolive has been doing well. With a market share of 5%-6%, it is now into consumer promotions (free shampoo, etc.) to retain and regain users.

The premium soaps segment is advertising-intensive. Since margins are good, ad expenses are affordable. Advertising brands here has a spinoff for some in the talcs market (a market with a high excise structure and hence low volumes, resulting in no advertising). Liril, Cinthol and Mysore Sandal have talcs under the same name. These brands move more on the soap ads.

The popular segment of the market has long been dominated by HLL with Lifebuoy, Lux and Rexona. With a new segment emerging between the carbolic soaps (like Lifebuoy) and non-carbolic soaps (like Lux and Hamam), there is intense price segmentation taking place. This has come in because of escalating costs, which are pushing up the per tonne value beyond Rs 30,000, a level at which excise becomes 26.25%. To stay below this, companies are either offering cheaper brands or are indulging in price discounting in the range of 50-75 paise.

This mid-range segment has attracted brands from Godrej (Vigil, Fresca), HLL (Lifebuoy Personal, Breeze), Wipro (Santoor) and Tomco (Happy). Clearly, there is not enough room for all of them and a shakeup is due soon.

In the popular category, a new segment is opening up between carbolic and non-carbolic soaps. And intense price segmentation is taking place

	POPULAR SEGMENT		PREMIUM SEGMENT	
	Tonnes (in '000)	Value (Rs crores)	Tonnes (in '000)	Value (Rs crores)
1984	170	374	17	84
1985	191	467	24	131
1986	182	458	25	145
1987	197	571	28	179
1988	206	749	28	210

REIGNING SUPREME

In the carbolic segment, Lifebuoy reigns supreme. Tomco is doing okay with OK, but not quite enough to stir Lifebuoy into retaliation. The popular segment is a volume game and building volumes compensates for lower margins. To generate volumes (and keep costs low), one has to understand the nuts and bolts of the business thoroughly. Hence, only companies with existing manufacturing facilities have entered this market.

Looking back over the last five hectic years, so much has happened in the soaps market and yet nothing much has happened. The old guard of the soap industry has retained its hold on the market and no new manufacturer has really come to stay. Maybe Peters and Waterman have a point when they say 'stick to the knitting.'

■ *D. Shivakumar*

The author is a Bombay-based executive.

SOUND OF SILENCE

In the room cooling business, the era of the simple, box-like device sticking out of a window is drawing to a close. The air-conditioner, often considered to be a symbol of ultimate luxury in India, is undergoing a technological evolution. The prime mover behind this startling metamorphosis is probably Carrier Aircon Ltd., the Indian subsidiary of the US-based Carrier Corporation, which is headed by Ramesh Sarin, former chief executive of Voltas.

When the company was launched in end-1987, the big guns of branded air-conditioning like Voltas, Fedders Lloyd, Blue Star, Arco and Amtrex, had a hefty share of the entire organised market for climate control under their corporate suzerainty.

Apart from providing superficial touches like attractive cabinets and sturdier compressors, most of these companies, complacent with their steady shares of the market, could hardly lay claim to making innovations in design or marketing. The boxes remained as obtrusive as ever, dripping condensed water and sounding like a truck warming up in winter. And the market was cornered by the big five manufacturer-cum-contractors and the paradoxically large small-scale sector, which rules over two-thirds of the air-conditioning business. The small-scale sector, in fact, is considered to be better off, since it operates with the blessings of the government and enjoys significant excise duty concessions.

The problem for the big companies continues to be one of unfavourable popular attitudes. As Ramesh Sarin told *Gentleman* magazine (January 1988): "Strange. If you are in a cold country, no one thinks twice about your wanting to warm up and make yourself comfortable; but if you are in a hot country, a cool room is regarded as a luxury." The illogical slant of this line of thinking is a barrier that the air-conditioning business has to confront virtually in every aspect of marketing. It was this adverse, fragmented market which faced Carrier Aircon a year ago, and it is in this context that the recent ad campaigns for air-conditioners have to be seen.

The room air-conditioning units currently being promoted by Carrier Aircon carry the brand name "Sierra." The advertising caption suggests, "International split air-conditioning comfort. Just where you want it to be." The two models, Sierra Under-Ceiling and Sierra Lo-wall are presented, as their names suggest, with visual emphasis on their good looks and compactness. The stress on "international" is justified here, since Carrier Corporation, has a dominant market share in the world, and has extensively applied the split air-conditioning technology to its products. The advantages, according to the advertisement, are numerous (low noise; remote electronic control; compactness; power-saving compressor; 3-speed fan etc.). The primary stress on "comfort" is woven through the copy and further stressed in the base-line, "The name makes you comfortable." That may well be the company's way of labelling what may otherwise be a "luxury" as a "comfort."

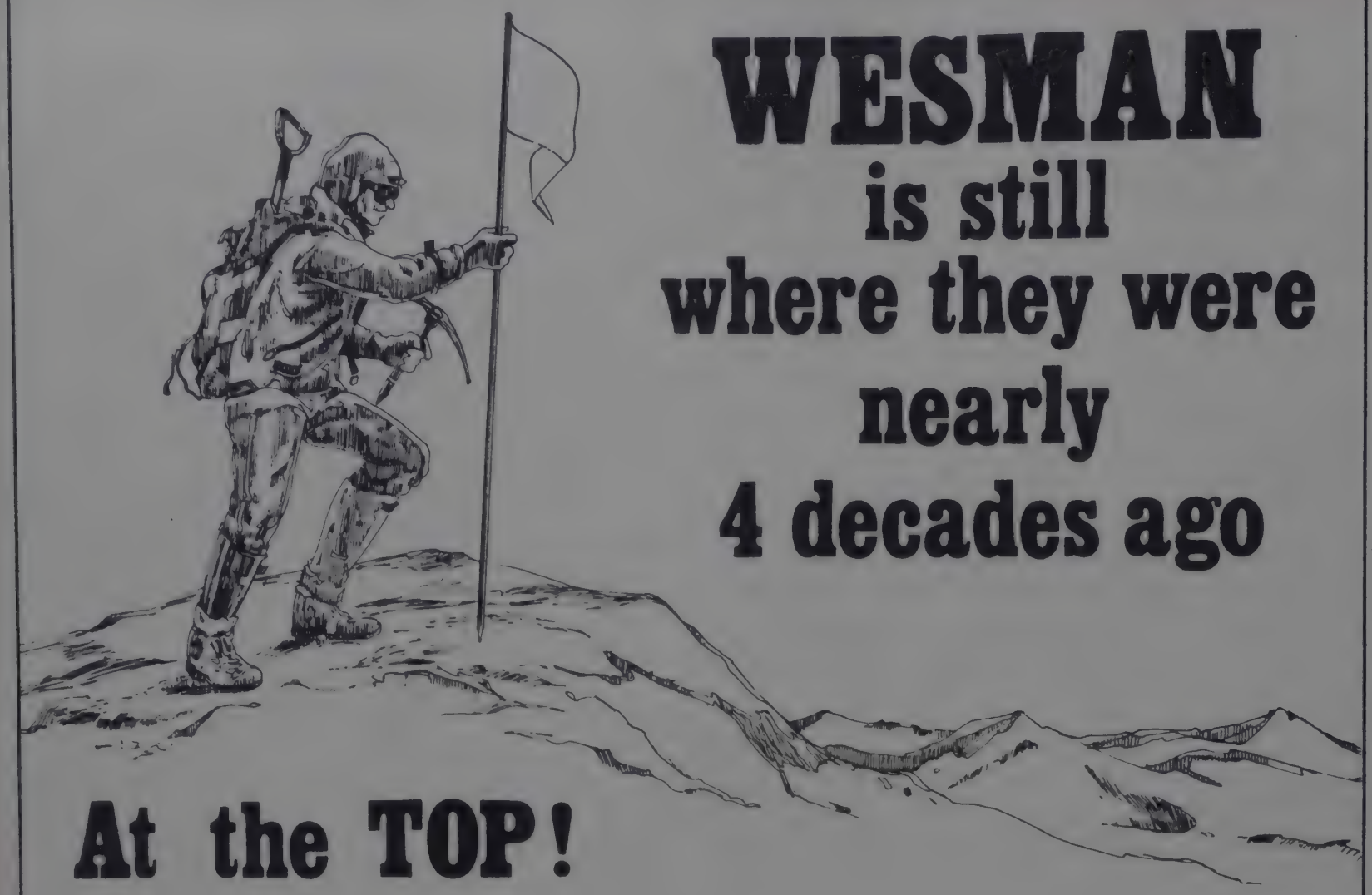
The Carrier name is not entirely new to India, since some of the most widely sold conventional air-conditioners, for example those of Voltas, particularly in the industrial sector, are based on Carrier designs. What Carrier Aircon is bringing in is a higher efficiency compressor (10% to 15% more energy-efficient than the others) built around the split technology, but adapted to Indian requirements. Carrier Corporation has impressive international credentials: it is wholly-owned by the United Technologies group, which produces Otis elevators, Sikorsky helicopters and other hi-tech stuff.



With space becoming more and more expensive in cities like Bombay, the cubbyhole that passes off for an office has become the target for the cool persuaders. Advertisers, thus, see a growing market for silent, split air-conditioners

The Carrier Aircon campaign has probably been a little late in coming up with the novelty of the split air-conditioner concept. The Amtrex campaign for the same product has already been on the advertising scene for over a year. Offering a choice of small (1 tonne, 1.5 tonne and 2 tonne) split air-conditioners, the present advertisements from Amtrex go several steps further in consolidating this company's initiative in starting the "split" wave. Amtrex has entered the fray early on in a pre-emptive bid to take a leadership role in the new and refined arena for technically superior air-conditioners, and it is certainly the direction in which the wind is blowing today.

The Amtrex ads plunge straight into specialised product features — in fact just one feature, silent operation. "When the phone rings, do you reach for the receiver or the air-conditioner switch?" queries the caption. "If you switch off the air-conditioner ... find yourself raising your voice at meetings ... get yourself an Amtrex split," urges the copy. The breeziness of the approach almost makes one think that Amtrex is promoting a banana split, but what comes through is the studious emphasis on the sound of "silence," and the attendant benefits. The colourful visual is equally trendy, even light-hearted — an office table with a toy-like armchair and a few imaginative furniture representations, and the rectangular air-conditioning unit discreetly shown in one corner. Air-conditioner promotion need never be dull, technical and stodgy again, if the Amtrex campaign is anything to go by



WESMAN
is still where they were nearly 4 decades ago

At the TOP!

It's true. In all our activities, whether it is in Industrial Furnaces, Foundry Equipment or Combustion Equipment, we stand at the top. Both in product quality and range. Our well equipped and wholly adaptable manufacturing unit is universally acknowledged as a model plant. And, prestigious international corporations in USA, UK, West Germany and Italy have found it advantageous to collaborate with us.

We lead the way in other areas too. In marketing, with our all India sales and service network, with branches in major cities and representatives in towns, in our R&D activities, product development programmes, import substitutions and in our application of value engineering techniques.

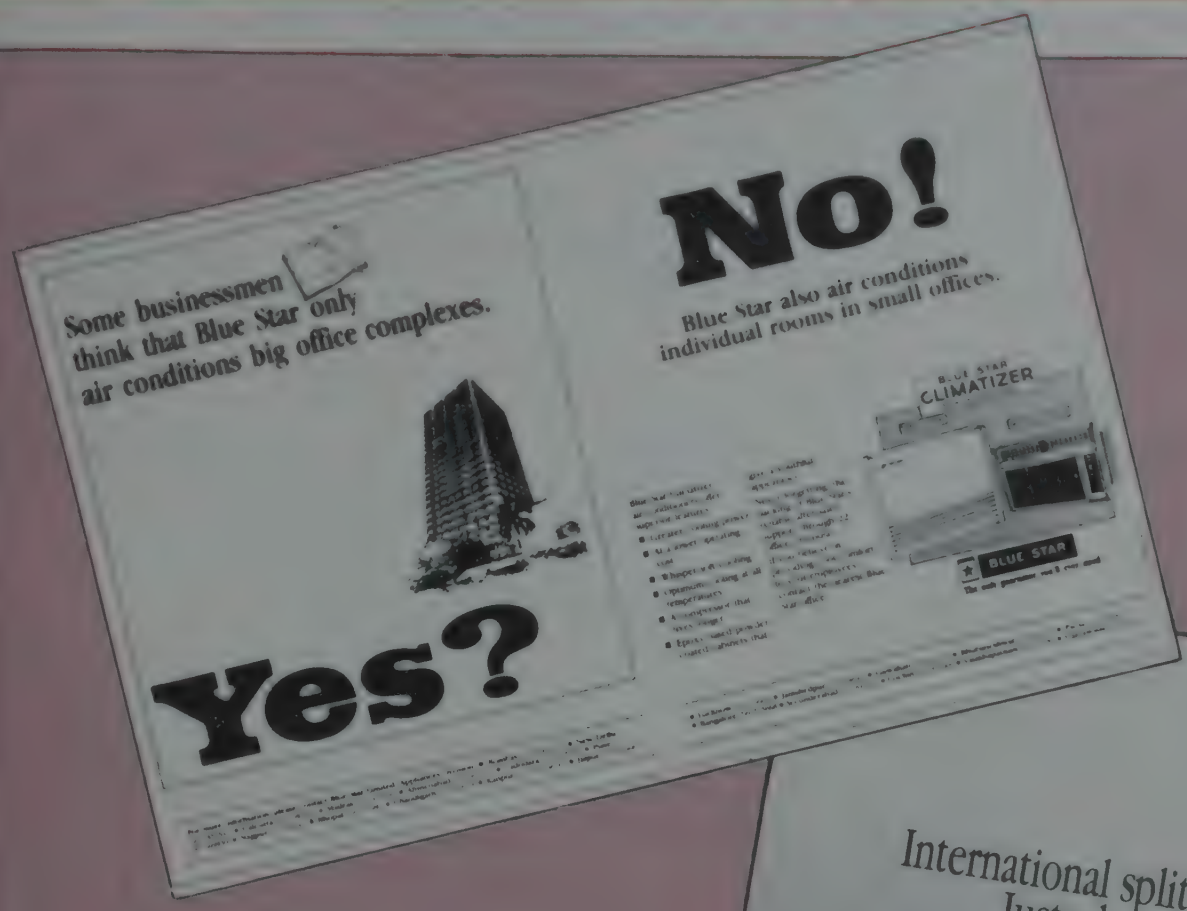
Yes, Wesman is successful. And this success is the result of a planned and disciplined multi-dimensional growth over the years; a success that is enhanced by our sense of commitment to our customers and our people. These are the qualities that make us so responsible, resilient and reliable. Attributes that continue to keep us.....at the top!

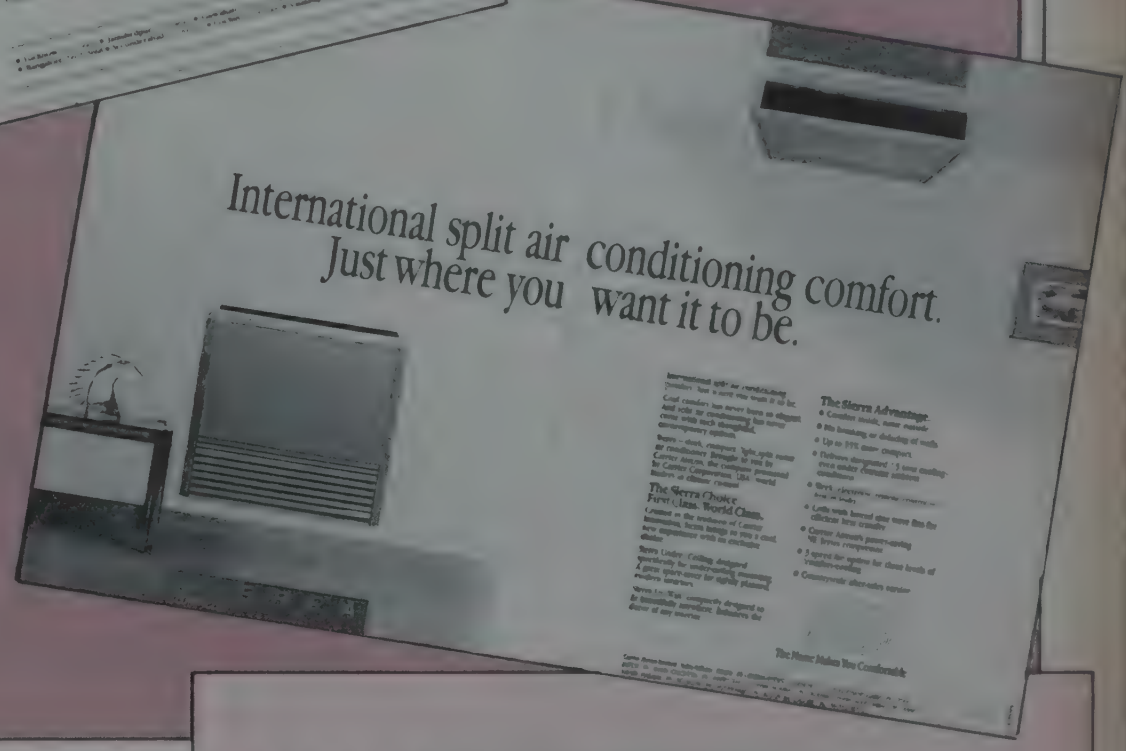
WESMAN

Be proud of
the Company you keep

Wesman Group of Companies

1/2 Allenby Road, Calcutta 700 020
6, Satnam Sagar, 20 Pedder Road, Bombay 400 026
503-504 Eros Apartments, 56 Nehru Place, New Delhi 110019
346 Pantheon Road, Madras 600 008
Also at Bangalore, Visakhapatnam, Pune





With technological innovation, the Indian market for cooling is hotting up. And the prime mover behind this metamorphosis is probably Carrier Aircon

The heavyweights of air-conditioning — Blue Star, for instance — are waking up. In an effort to persuade would-be users that they need not equate Blue Star with large scale cooling, the company now has an ad which is full of rhetoric: "Some businessmen think that Blue Star only air-conditions big office complexes. Yes?" and answers itself: "No! Blue Star also air-conditions individual rooms in small offices." The ad presents Blue Star's well-known Climatizer units in two models: split and window types. The influence of the Carrier Aircon and Amtrex efforts at developing the "small" air-conditioning business is evident. Will Voltas and Fedders Lloyd take the cue?

There has apparently been a shift in the market for office air-conditioning — or perhaps it is an expansion. With space becoming more and more expensive in cities like Bombay, the cubby-hole which passes off for an office has increasingly become the target for the cool persuaders. The trend towards a "small is beautiful" culture could well be responsible for the transformation of the "luxury" cooling box into the "comforting" split cooling system. The spread of personal computers, which require air-conditioning at least to ensure a dust-free environment if not a cool one, has reinforced the mini-office demand.

The small-scale sector, which accounts for the bulk of the air-conditioning market (there are some 1,30,000 units sold annually) is still untouched by the possible impact of the new breed of hi-tech cooling devices. Companies like Carrier Aircon actually sub-contract work to the small-scale sector, thereby bolstering their own position in the market. In the meantime, the average consumer who resorts to fans, desert coolers and other such economical aids to beat the summer heat may start thinking kindly of air-conditioners, if only as a "cool" idea.

■ *Gita Manian*

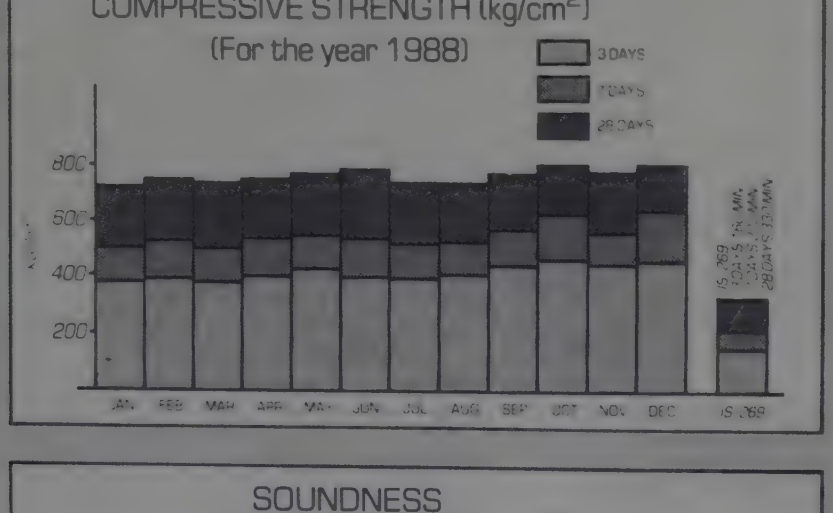
The author is a managing partner of Excalibur Advertising, Bombay

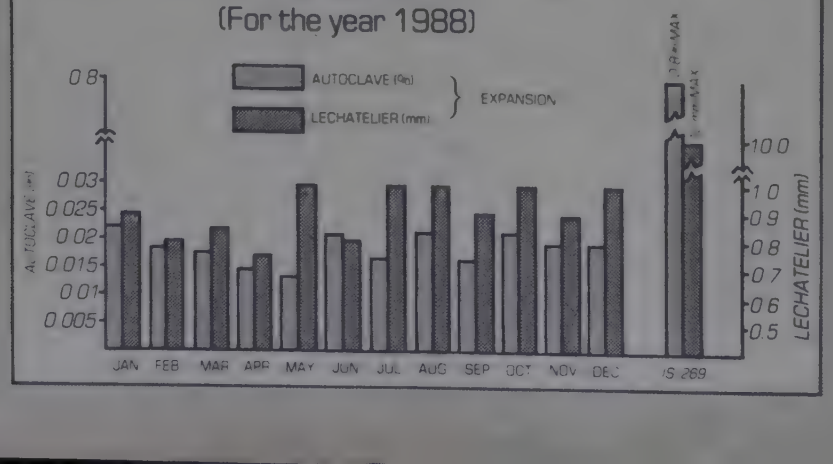
THE TORRENTIAL DOW
CHALLENGED BY THE C
MANIKGARH

THE COMPRESSIVE STRENGTH. A VERY IMPORTANT CRITERION FOR A GOOD CEMENT.

A criterion that decides the strength of a structure once constructed. Its resistance to pressure. To time. To extreme climatic conditions. Like the rains in Cherapunji.







A CRITERION THAT IS THE MOST POWERFUL FEATURE OF MANIKGARH CEMENT.

So powerful that you can use th quality of cement to your advantag Without compromising on concre strength.

That's because, at Manikgarh, w perfect every parameter that affects th compressive strength: the proportio and the purity of the various ingredien with limestone; the lime content in th clinker; the fineness of cement. And w perfect the other features too: the se ting time and the soundness of the ment.

AND, WE EMPLOY THE MOST SOPHISTICATED OF MANUFACTURIN PROCESSES.

Manikgarh Cement is manufa

OURS OF CHERAPUNJI
MPRESSIVE STRENGTH OF
CEMENT.



red in one of the few fully-automated nts in the whole country, in the andrapur District near Nagpur, aharashtra. A one-million tonne plant cked by international technology — llers of USA.

IE REASON YOU CAN BE DOUBLY URE ABOUT MANIKGARH CEMENT OUR QUALITY CONTROL.

All raw materials and products at ery stage of the process undergo orous tests, four to five times an ur. We don't stop at that. There's rict quality control and automatic con- ol of all process parameters (within a ge of 0.2%) at every stage of produc- n. To ensure top quality cement.

It is this cement packed with ernational quality and strength that ally reaches you. From over 650 ckists all over the country. So conve- niently. In ISI marked HDPE and jute bags.

STRENGTH BACKED BY STRENGTH.

Manikgarh Cement is a Division of the Century Textiles & Industries Ltd. An organisation that is built on the foundations of its successful vital sector Divisions — Textiles, Rayon, Tyrecord, Chemicals, Shipping, Paper and Pulp.

Not surprising then that the structures built with the cement backed by them are going to be towers of strength.

Structures that last decades.

Challenging the sun, the snow. And the rains in Cherapunji.

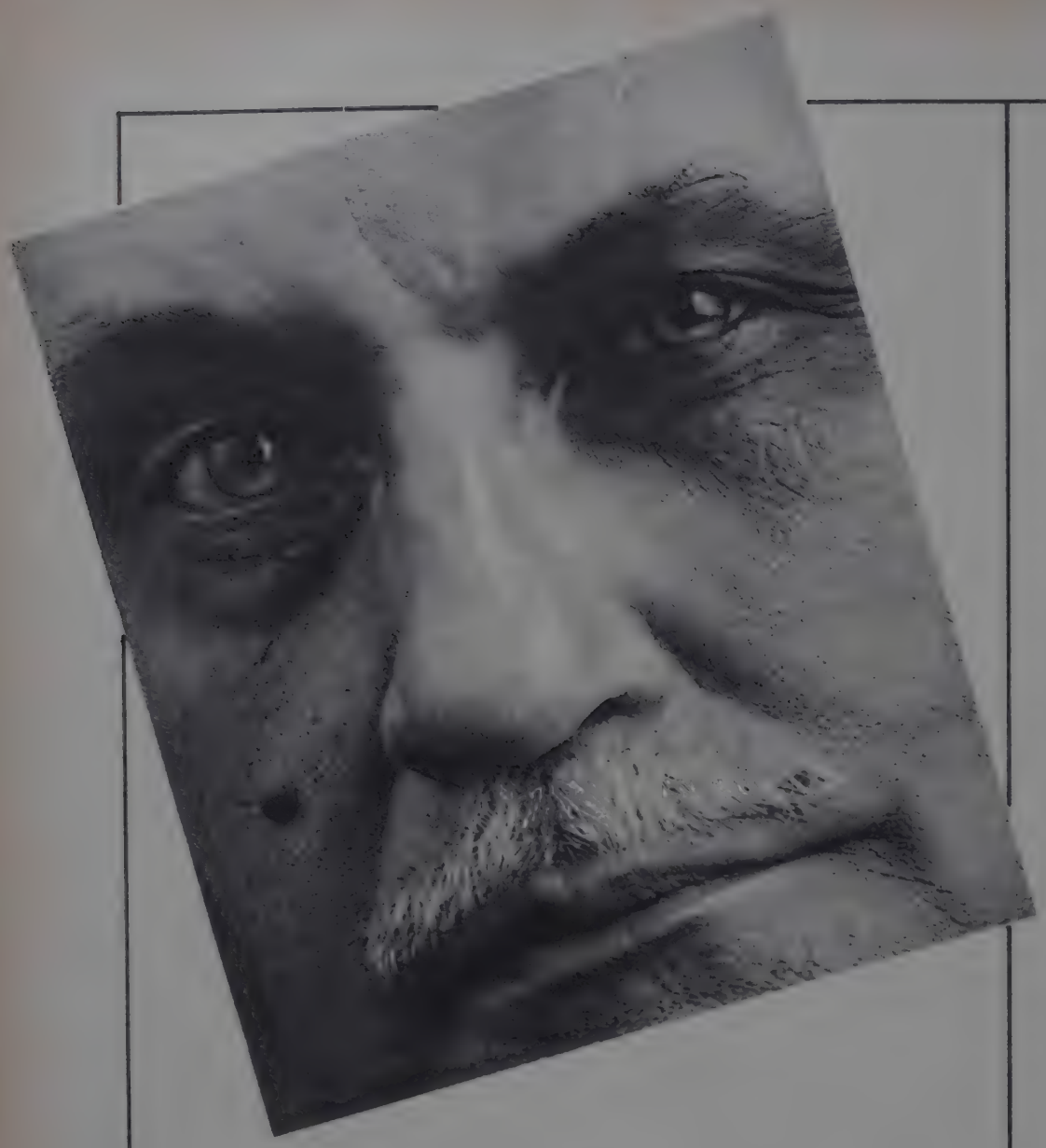
MANIKGARH CEMENT

MANIKGARH CEMENT

TOWER OF STRENGTH

Marketing Division:
Mittal Chambers, Nariman Point, Bombay 400 021
Tel.: 2021913. Telex: 011-5421 MGCB IN
Factory:
Gadchandur, Taluka Rajura, Chandrapur, Maharashtra

everest/89/MC/187



Would you change your packaging material if you have an alternative that looks more attractive, costs less, improves printing economics, and enables you to switch with zero modification

(Or, would you refuse to change?)

Looking at your foil laminated pack–if it is a year old–what would you see?

The gloss has certainly tarnished, and just as surely–in that one year–the price of foil has escalated 15%.

That's the story every year. The shine coming off–the technology proving too costly. And, not looking good enough.

Both for aesthetic and economic reasons, international packagers–seeking an alternative to foil lamination–have almost completely upgraded to metallised packaging.

A clear advance in surface brilliance and gloss retention–metallised packaging assures excellent barrier properties, and opens up new vistas of printing options and brand image. You can switch to metallised packages on your existing machinery. You get the same handling features and machinability as foil laminates. PLUS you get the freedom to print in off-set, letterpress, silk screen–or, rotogravure. The advantages are indisputable. The 10 to 15% cost saving is bonus!

In close association with PAGENDARM BESCHICHTUNGSTECHNIK GmbH and WEINERT VERFAHRENSTECHNIK GmbH–JALPAC introduces microprocessor controlled metallisation of PET and BOPP, and Transfer Technology for Paper and Board.

The finest international metallisation technology comes to India. A capacity of 55 million sq. metres per year–manufactured in a superbly equipped plant, operating to rigorous international specifications.

Place JALPAC PET, BOPP, Paper and Board beside any foil laminated surface, or any other metallised surface, the difference shows immediately.

It is, unmistakably, the packaging material of the future.

JALPAC offers you a comprehensive package. Attractive business terms, prompt supplies, technical supports and conversion services.

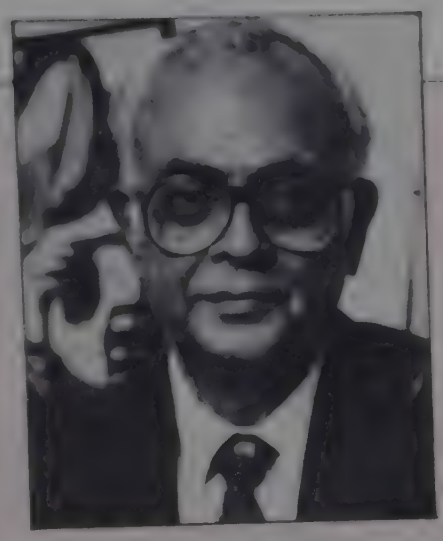
Contact JALPAC, and we will work out the best way for you to swiftly opt for all the advantages of a superior technology.

JALPAC INDIA LTD

25 Ballygunge Circular Road, Calcutta 700 019
Cable : JETEXMIL Phone : (033) 477811/2, 482313
Telex : 21–3312 JTG IN

Rediffusion

REMUNERATING TOP MANAGERS



Top-level executives need to be compensated well if they are to be motivated to give off their best. But appraisals for deciding compensation levels must take both short-term and medium-term performance into account

Top management remuneration is an issue on which there are more questions than answers. In an earlier article (*BW* 26 April-9 May), the appropriate basis of compensation for such managers was discussed. It was highlighted that if these managers were not appropriately compensated, they would not be motivated to give their best.

If this basic premise is accepted, three questions need to be answered:

- Who are the members of the top management who have to be compensated on a basis different from other operating managers?
- How should their performance be measured? And,
- Who should measure such performance?

Since considerable fuzziness exists about the proper answers to these questions, it is important to explore these issues at some depth.

In regard to the first issue, the test to be applied is who are the managers whose decisions — short, medium and long term — affect the fortunes of the company in terms of profit, market share, return on investment, cash flow generation, growth in sales, profitability, expansion and diversification? Even more importantly, who are the managers whose performance, individually and collectively, determines the rate and quantum of returns which accrue to the owners of the company — the equity shareholders?

This category would certainly include the chief executive of the company by whatever name he be called. It is assumed in the western management model that the chief executive officer (CEO) is essentially concerned with the formulation of long-term strategies and policies and that his main role is providing managerial direction within the guidelines provided by the Board. The CEO is also often called the executive chairman.

On the other hand, in several corporations, a senior manager oversees the current operations within the boundaries of the strategies formulated. His main role is to ensure the achievement of budgeted production, sales, prices, margin, profit before tax, working capital, etc. It is for this operational emphasis in his role that such a manager is often designated the chief operating officer (COO), or president or managing director.

Since operations, strategies and policies form parts of the same management continuum, it is assumed that the CEO will be kept briefed and advised about the company's performance and operational trends. He can intervene but only if the current operations (or the trends) pose a threat to the continuing viability and profitability of the corporation. The COO, who would normally do the briefing, is expected to give his recommendations for strategy and policy shifts necessary. In this sense, his role is to influence rather than formulate and identify the long-term strategies and policies. Sometimes, these two roles are combined in the post of chairman and president or simply the chief executive. However, the role definition and content are more important than the title in this context.

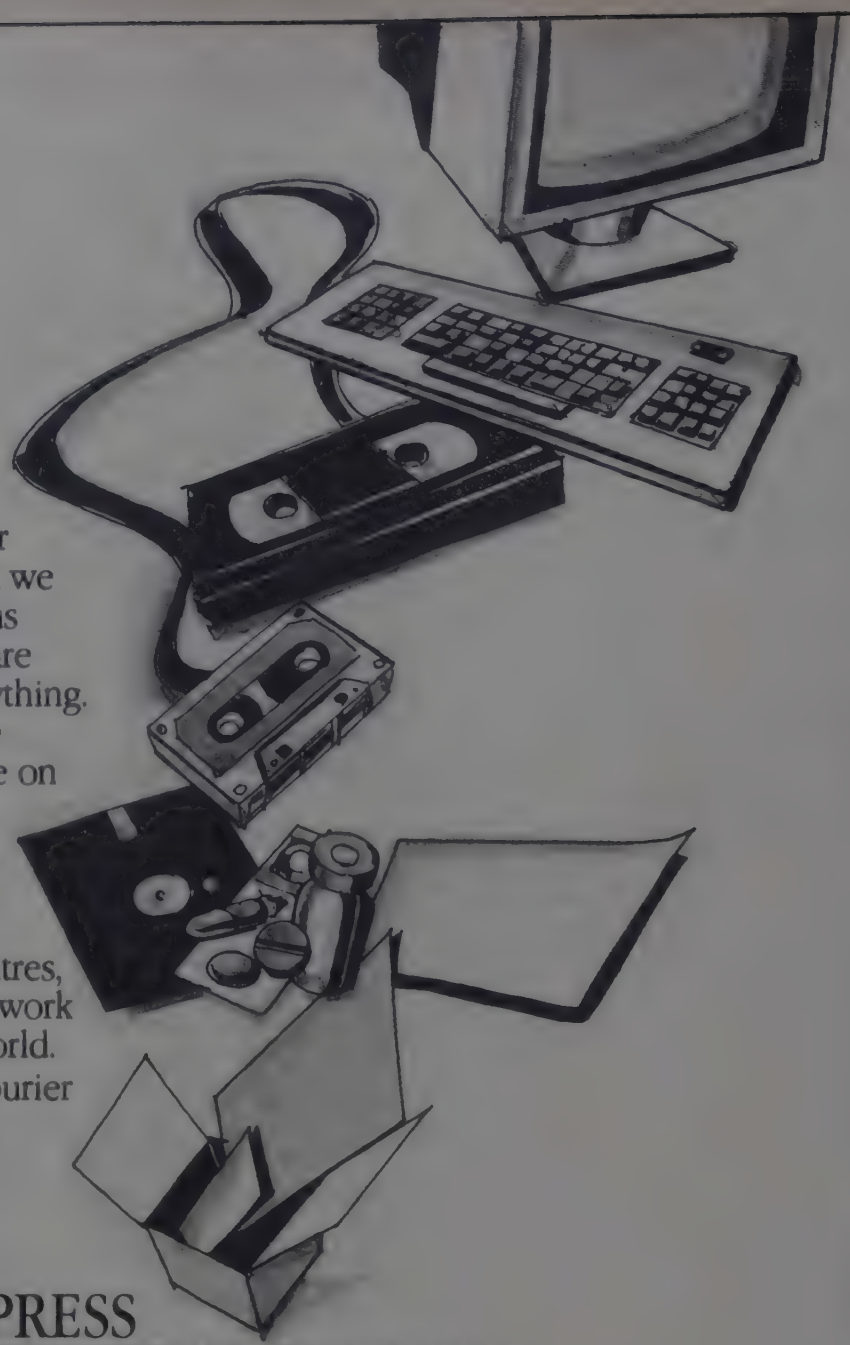
In addition to these two top managers,the heads of the profit centres or product groups (or in the case of a service company, the regional chiefs who have profit responsibility), as also the functional departmental heads — be they at the level of directors or general managers — are often viewed as members of the extended corporate management. Ultimately, profit performance and return on investment is the responsibility of the individual profit centre or region. The people at the helm, given that their operations have reached a certain critical mass, should be part of the elite group.

One must remember, however, that performance is not possible without functional service support at the corporate level by way of finance, personnel, materials, R&D, etc. It is, thus, appropriate that the corporate functional heads should be thought of as members of the corporate management, though the level of their compensation would be considerably lower than that of the CEO or COO.

The second question relates to the performance parameters of the corporate or top management group. Before answering this question, it needs to be understood clearly that such an appraisal has to balance both short and medium term performance. In other words, the appraisal of such managers must not be distorted by results which are the outcome of factors beyond the manager's control, for instance, changes in the short term in government policies and raw materials shortage (or price upheavals).

Also,there are many cases where the manager may earn windfall profits totally disproportionate to his abilities and efforts, either because of unethical or extra-business practices or failures on the part of competitors. It is not necessary to elaborate why profits accruing this way need not be reflected in top management compensation. But as at any given point of time such favourable or unfavourable events may take place, how is the performance of the top management to be appraised?

First, we have to identify the true managerial tasks of



Computers, tapes, medicines or anything. If you want to courier it we are ready and that's what makes us special. At Overnite Express, we are authorised to courier nearly everything. And we have the facilities that are needed to make them reach there on time. Like 4 strategically located transhipment points. Six on board couriers six days a week to cover the world. The largest number of express collection centres, that are open 24 hours. And a network that covers every corner of the world.

So the next time you need a courier call us. We're the fastest growing courier service in India,today.

AT OVERNITE EXPRESS WHAT'S IN THE PACKAGE IS YOUR BUSINESS. GETTING IT THERE IS OURS.

ANYTHING AND EVERYTHING GOES

OVERNITE EXPRESS
PRIVATE LIMITED

DOMESTIC & INTERNATIONAL COURIERS

ON TIME. EVERY TIME.

Regd. Off. : Delhi : 11098-B, East Park Road Ph : 732411, 732412, 732413. Gram : 'FLYINGBIRD', Telex : 031-62611 ONE IN
• Agra-62046 • Ahmedabad-404738 • Allahabad-4121 • Amritsar-41385 • Bombay-8729915 • Bhubaneshwar-55966
• Bareilly-75382 • Bangalore-226348 • Chandigarh-41015 • Cuttuck-20411 • Calcutta-440039 • Dehradun-23338
• Dhanbad-5265 • Guwahati-31052 • Gandhi Dham-20507 • Imphal-21993 • Indore-22897 • Jaipur-66519 • Jammu
Tawi-43295 • Kanpur-243555 • Kota-22031 • Lucknow-32642 • Ludhiana-27909 • Moradabad-28760 • Madras-459974
• Meerut-72763 • Nagpur-46235 • Patna-22215 • Port Blair-21083 • Ranchi-27808 • Silchar-20470 • Siliguri-26547
• Tatanagar-29655 • Varanasi-43221 and over 75 more stations.

Anthem/OE/388

the top management. There is near-unanimity that the major responsibility of this group of managers is to optimise the short and medium-term earnings of the equity-holders and ensure — by expansion and diversification — continuing growth in earnings and returns. It is, therefore, entirely appropriate that a significant part of the top management appraisal process should be related to such factors as:

- Profits as a percentage of sales (or measured in terms of the surrogate factor gross margin);
- Growth in cash generation — in rupees and per rupee of sale;
- Profit after tax — in rupees and as a percentage of shareholders' funds;
- Current price of the share (and more importantly, the growth in the price-earnings ratio), as also the track record of the corporation in terms of the issue of bonus shares, dividend, yield, etc.; and
- Growth in sales and assets.

At another level, the performance of this group must be measured by the protection provided by them to the risks to which the shareholders' funds are exposed to by way of debt-servicing, interest-coverage and dividend coverage of earnings.

It should be reasonably clear from this analysis that in optimising the return to shareholders, the corporate management group has basically four responsibilities:

The first is to optimise current profits by conducting the operations of the business effectively so that in relation to its competitors, it has a high market share as also a high profitability and cash generation capability.

The second is to manage funds optimally on the basis of the weighted average cost of capital, in terms of the various options available for raising resources, including fresh capital by way of rights issue (which is also another way of remunerating the shareholders when the share prices are higher than the par value).

The third responsibility is to plough back profits and build up resources, to raise term finance from the financial institutions and short-term working capital funds from depositors and commercial banks, and to utilise extra-banking finance opportunities by way of intercorporate deposits (and now commercial deposits and commercial paper).

And fourth, it is also necessary to manage the company's current and future operations strategically by responding expeditiously to all competitive and environment changes and to seize new business opportunities — by way of expansion and diversification, by introducing new products, processes and technologies — to ensure continuing growth in profitability and return.

It can be demonstrated that as long as the business of a corporation is carried out with the required level of product-market-technology strategic choices, and backed up by effective and efficient operations in terms of production, sales, purchases, etc., the real determinant of profitability is the resource-mix — i.e. management capability, technology and funds.

Finally, one of the prime responsibilities of the corporate management group is to expand the corpus of the company in the future years — by expanding the profitable parts of the current operations, diversifying into new areas (and disinvesting unprofitable operations), and identifying strategic alternatives, raising resources and acquiring technology — with a view to augmenting shareholders' returns.

The last question (i.e. who should measure the performance?) is relatively easy to answer. It must be, in the final analysis, the shareholders of the company and the regulatory agency charged with this responsibility. The Companies Act requires that all appointments of managing director, and the terms of his remuneration, including salary, perquisites, profit-sharing commission, etc. be approved by the shareholders. The shareholders must take active interest in this matter and should not hesitate to reward those corporate level managers who truly subserve their interests. They should do so by taking into account the top management's medium term performance record, say over three to five years, and suitably discount the short-term impact on performance due to unfavourable or favourable aberrations.

The concept of a compensation committee of the board, composed entirely of non-executive directors, has been extensively adopted in the western corporate world. There is no reason why it shouldn't be tried out in India

The non-executive directors on the board have an important role to play in recommending such remuneration to the shareholders for their approval. As long as the non-executive directors are nominees or appointees of the chief executive or the chairman or the president, this is unlikely to happen. The concept of a compensation committee of the board, composed entirely of non-executive directors, has been extensively adopted in the western corporate world. There is no reason why such committees should not be tried out in India.

It is necessary to decide on the right amount of compensation that should be paid to corporate level managers because, in the final analysis, that decision will determine their level of motivation and their performance. But in doing so, we must be clear on the parameters of the appraisal of such performance in terms of the optimisation of equityholders' returns. Salary and allowances, stock options, profit sharing bonuses, perquisites, etc. — which constitute the components of the total package of such compensation for corporate level managers — should reflect these considerations.

■ *S.K. Bhattacharyya*

The author is a Bombay-based management consultant

SUPER 301

HOW REAL A THREAT?

It came at a time when it was least expected. Even as India was busy opening up the economy and letting in the likes of Pepsi and IBM, the US counter was to put it on its trade hitlist. Out of the blue, India along with Brazil and Japan was subjected to sanctions under the provisions of Super 301 and Special 301 of the US Omnibus Trade and Competitiveness Act of 1988.

On the face of things, it seems the fallout of a private quarrel between Japan and the US. The latter has for many years now been swamped by a steady stream of Japanese products. Its industry has been caught with its pants down and the trade deficit has reached monumental proportions. Japan had to be taught a lesson but, at the same time, the pill had to be sugar coated. The solution: club it with a couple of others to create the impression that the country was not being singled out.



VIREN SHAH STRESSES THE IMPORTANCE OF THE AMERICAN MARKET

Scapegoat. Understandably, India has not taken too kindly to being made a scapegoat. There have been angry rumbles from New Delhi. Ministers and industrialists alike have sounded off about the "unfortunate" step. There have been some peace-making moves — President George Bush has rung up Rajiv Gandhi and Carla Hills, the US trade representative who started it all, has rung an apologetic note. "This exercise is not intended to be offensive," she has said. "I hope there is no backlash."

Some sort of a backlash there is bound to be; at the time of writing there were a lot of ruffled feathers but little in the way of concrete developments. There is every chance that Super 301 (which deals with unfair trade practices) and its Special cousin (which concerns itself with intellectual property rights) may end up as mere bogeys. In fact, the section only makes it necessary for the US administration to start accelerated negotiations aimed at "ending the 'priority' unfair trade practices of the three countries." What rankles, however, is that the US has been making a lot of noise these past few months about intellectual property rights(IPR). In the event, they have been sidelined, with trade-related issues hogging the limelight in section 301.

For example, when, prior to the preparation of the list, Hills sought specific allegations against foreign countries, out of the total 39 received 10 were aimed against India. Of this, only one case was from the representatives of the so called US-based International Intellectual Property Alliance (IIPA) consisting of book publishers, computer software developers and film marketers. The rest of the cases were from such diverse groups as the American National Soda Ash Corporation, the Polaroid Corporation, the National Cottonseed Products Association, etc.

Most of the complaints related to the high tariffs on the Indian side while some criticised the policy framework. The soda ash outfit, for example, contended that the 40% Indian auxiliary duty and the 15% countervailing duty on soda ash imports were unfair barriers. Polaroid Corporation complained against the 140% to 170% import duty on films and cameras. The Motion Picture Association of America, which has been fighting a running battle with the Indian National Film Development Corporation (NFDC) over the past few years, wanted NFDC's import policies to be reviewed through Super 301. The 3,500-firm strong American Electronic Association, eyeing a larger share of the growing electronics cake in India, wanted easier exports and investments in this field.

Weak allegations. But to a large extent they have already got their pound of flesh. Their allegation of a high 120%-140% import duty, problems in joint venture projects where only 40% equity participation is allowed, and the strict phased manufacturing programmes (PMP) of the department of electronics (DOE) are all without much substance. For example, the government already has provisions for equity participation in electronics joint ventures up to 75%. Even in the PMP, the DOE has made concessions and relaxations in recent major computer joint ventures. In fact, such relaxations and liberalisation measures have seen a host of US companies tying the knot with Indian suitors. In the computer field, every major US company has tied up with some Indian partner or the other.

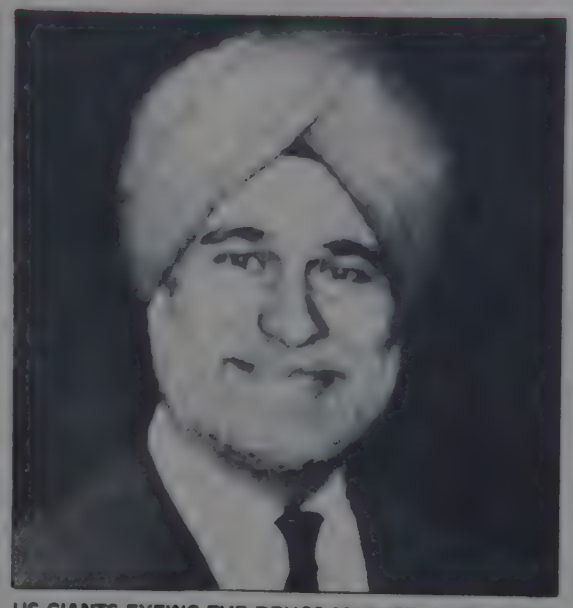
In other fields, some of the complaints look downright frivolous. For example, Aqualon, a major US guar gum producer, has grievances against the Indian government's subsidy programme to local industry, which makes it more competitive internationally. And, the Northwest Horticultural Council maintains that "India's desire to be self-sufficient in all food crops has led to the unavailability of cash for importation of US fresh fruits."

The Horticultural Council is probably just acting fresh. The US drug lobby, however, means business because it sees business. Says Bhai Mohan Singh, chairman of Ranbaxy Laboratories: "The threat is primarily aimed at opening up the drug industry in India." The Indian pharmaceutical industry has grown from a Rs 10 crore infant in 1947 to a Rs 3,000 crore giant by the end of last year. Since, by the end of the eighth plan, the industry could grow to a phenomenal size Rs 4,200 crores, the multinationals have scented a goldmine in this high profit area of operations. Adds Singh: "The multinational appetite is too large and they will bleed the Indian patient."

This appetite and the consequent claims are being shored up by some dubious figures. A study submitted in 1988 by the US International Trade Commission estimated that the damage to the US from India's inadequate protection of intellectual property rights was $244 million in 1986. And in 1989, the International Intellectual Property Alliance (IIPA) submitted to the US government that American business losses due to piracy worldwide was $1.4 billion with India accounting for $123 million in intellectual property piracy and $30 million from other barriers to trade. But there is no indication as to how these figures were arrived at.

Tough stand. Such statistics may help to shore up claims but there is little indication that the Indian government will buckle. The complaints against India relate specifically to trade-related investment measures and barriers to trade in services, specifically, the closure of India's insurance market to foreign insurance companies.

What does this mean? What the US is basically asking for is across-the-board relaxation in investment procedures specially relating to the Foreign Exchange Regulation Act (Fera) and the Monopolies and Restrictive Trade Practices (MRTP) Act. However, talking to *BusinessWorld* a few weeks before the announcement by Hills (see *BW* 29 March-11 April 1989), Union commerce minister Dinesh Singh had totally ruled out any immediate changes in Fera and MRTP regulations. Said Singh: "For us it is not a question of developing Bombay or any other region, but of developing the whole country. We cannot apply



US GIANTS EYEING THE DRUGS MARKET, SAYS SINGH

the same yardstick here that has been used to develop Singapore, Thailand or South Korea." And late last month, in a mood of aggressive defiance, Union finance minister, S.B. Chavan said that the US demand for a change in India's insurance policy "was direct interference in the country's domestic policy."

But the current Indian tough stand despite, the country may have done its bit in rubbing the US the wrong way. This is not so much through unfair trade practices as in indulging in much jaw-jaw but no action. For one, there was no consensus and concerted action from the industry and the government as a whole. For example, policy recommendations of the Indo-US joint business council (JBC) made to the government in June 1987 were never either considered seriously or implemented. These relate to the critical issues of patents, trademarks, multilateral trade negotiations under Gatt and the bilateral tax treaty.

Admits H.S. Singhania, chairman (Indian section) of the Indo-US JBC: "What we agreed on and recommended to the government in 1987 has not been implemented." There is also a strong feeling in the government that individual representations by various bodies like Ficci and Assocham have done more harm than good. Indian lobbying has definitely been inefficient.

No case. That is all the more obvious because there is really no case for the sanctions. Over the years, the balance of trade in India's favour has been steadily declining. In fact while exports from India to the US in 1988 increased by around 25%, there was a sharp 70% increase in US exports to India. With the 1988 balance of trade at just $669.1 million in favour of India, experts opine that it is but a matter of time before this is wiped out.

Even as the US remains India's largest trading partner, it has been the main source of foreign investment in the country. For example, the share of the US in overall foreign investment approved by the Indian government from 1981 to 1988 was around Rs 226 crores — a cool 27% of the total investment approvals during that period. Even in the case of foreign collaborations, the US maintained the top slot, accounting for about 20% of the total in the past eight years.

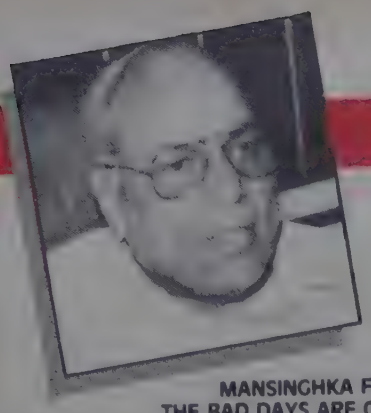
All these statistics evidently did not cut any ice with Hills and company. But India cannot afford to adopt a self-righteous tone. With a major thrust on the export front needed in order to tackle its own balance of payments problems, the US market is very important. Says Viren Shah, president of Assocham: "We cannot afford to ignore the US market." Raunaq Singh, Ficci president, agrees. "We do not want to lose friends like the US," he says.

At the same time, this move by the US can end up counterproductive in the short term. India was, anyway, moving towards a freer industrial clime but the US actions may prove a setback. Argues Shah, "No government can allow itself to appear to be making decisions under pressure from another country. Hence the timing of the US announcement may now have a depressing effect on the deregulation process."

There is a lesson in it somewhere: a superman act does not always pay, especially when there are 301 things wrong with it.

■ *George Skaria*

India may have done its bit in rubbing America the wrong way. This is not so much through unfair trade practices as in indulging in much jaw-jaw over liberalisation but little action



MANSINGHKA FEELS THE BAD DAYS ARE OVER

SOYA INDUSTRY

FULL OF BEANS

The fortunes of the round little, brown little, wonder bean have sprouted again. The soya processing industry, after two years of chronic illness, is showing signs of health. It's convalescence time yet, but industry leaders are already full of beans on what they see as a soya renaissance.

"The sickness is already off," declares M.P. Mansinghka, chairman of Tri-Star Soya Products Ltd. Agrees Dinesh Shahra, managing director, Ruchi Soya Industries: "Major companies have wiped off losses. A few may even give dividends." Tri-Star, which is perhaps the first to get off the sickbed, has reported a net profit of Rs 2.24 crores during the eight-month period ended March 1989. In 1987-88, it had made a loss of Rs 1.97 crores. On the other hand, Ruchi was in the black even earlier, with a profit after tax of Rs 55 lakhs in the year ended December 1987. The company should make a decent pile in the financial year just gone by. Others may take time.

The revival, however, underscores an important fact: that the fortunes of the industry are at the mercy of the raingods. Something which the various soya companies failed to realise in the mid-eighties when they went the whole hog in swelling their production capacities. The total annual capacity rose from around 1 lakh tonnes in 1980 to about 30 lakh tonnes in 1985-86 (total investment: about Rs 200 crores).

All this in anticipation that the 1985-86 soya production would soar from 10.2 lakh tonnes to something near 14 lakh tonnes in the next year. But the high hopes were scuppered by the ensuing drought years during which the soya output fell below 9 lakh tonnes. The excess capacity went waste and capacity utilisation dived down to an abysmal 20%.

Turnaround. The dismal scenario ended with the excellent monsoons in 1988. The soya harvest is expected to cross 14 lakh tonnes this year (projections by the Centre for Monitoring Indian Economy put the figure slightly lower at 13.5 lakh tonnes). This means more grist for the oil and food processing units, "most of which will operate at above 50% capacity utilisation levels" in 1989-90, according to Mansinghka.

If this means moolah for the companies, more of it is for grabs in the world markets where prices of defatted soyameal — the main soyabean export item from India (estimated export in 1988-89: about Rs 300 crores) — have climbed from $190 a tonne in late 1987 to $247 at present, thanks to the drought in the US, a major soya grower.

Harnessing favourable winds, the soya companies (most of them based in Madhya Pradesh) are also going into new areas. Tri-Star, traditionally an oil extraction concern, was in the midst of commissioning a flour plant in June apart from undertaking a Rs 1.25 crore modernisation plan to make its operations cost-efficient. Ruchi, which like Britannia Industries Ltd. produces edible soya oil, value-added soya flour, extruded foods and texturised products, will be manufacturing edible soya proteins and vanaspati. Ruchi's capacity is being augmented from 6,000 to 12,000 tonnes by March 1990.

Seeing a soya rainbow on the horizon, new players are entering the scene: Glindia's Vegepro Foods and Feeds Ltd. (Uttar Pradesh) is also going the Ruchi and Britannia way. Amrit Proteins (UP) is venturing into an area where Godrej's Noble Soya and Premier Industries have taken a sound beating — beverages. The southern challenge comes from Sakthi Soyas Ltd. (Tamil Nadu), which has been promoted by the Tamil Nadu Industrial Development Corporation, the Commonwealth Development Corporation (UK) and the Sakthi Group of Industries. The company will make edible soya oil, flour and defatted meal.

SOYA COMPANIES' SHARE PRICES

(In Rs)

	1988 High	1988 Low	Current prices*
Alpine Solvex	10.00	4.00	11.00
Bombay Extractions	5.00	1.00	7.50
Kalyan Solvent	7.00	2.00	6.50
Maheshwari Proteins	8.00	3.00	9.00
Premier Industries	9.00	4.00	16.00
Prestige Foods	9.00	4.00	14.00
Ruchi Soya	15.00	8.00	17.50
Sagar Soya	7.00	2.00	9.00
Surya Agroils	14.00	6.00	12.50
Tri-Star Soya	8.00	5.00	20.00
Vippy Solvex	15.00	6.00	33.75
Noble Soya	25.00	10.00	20.00

* As on 7 June 1989 closing

Material crunch. With new entrants pouring into the field, the possibility of another raw material crunch appears strong. Mansinghka doesn't feel so, but Shahra thinks otherwise. "There'll be a scramble for the produce," he says. Adds B.K. Pathak, vice-president, Glindia Ltd: "Only those in value-added products will be able to corner the raw material," thanks to their financial muscle.

Sakthi will probably face no shortages since it expects to have uninterrupted supplies through the year. How? Soya will be grown as an intercrop along with the main crops like banana, sugarcane, cotton and coconut. Says M. Manickam, managing director, Sakthi Soyas: "We were in no hurry to join the others in 1986. We wanted to enter the market only when we had adequate arrangements for the soyabean supply." Right from 1983-84, Sakthi has been encouraging farmers to cultivate soya. Glindia also has taken a leaf out of Sakthi's book by setting up demonstration soya farms. Obviously, neither of the two companies wants to repeat the mistakes of 1986, when the bandwagon syndrome was in evidence.

On the other hand, beverage companies like Noble Soya seem to have learnt their lessons after the initial miscalculations. Noble's Great Shake soyamilk had a disastrous launch. It is now being repositioned as a nutritional drink rather than a thirst quencher. To balance its business portfolio, Noble is diversifying into soya-based milk powder, milk base and dietetic formulations for the pharmaceutical industry.

Protein source. All this notwithstanding, there can be doubts over whether soya can ever find a place in

the conservative Indian diet in the near future. The fact that soya is one of the richest sources of proteins and minerals is something most people are unaware of. S.S. Sami, president of Noble Soya, feels that consumer acceptance is gaining ground. "There is a favourable pre-disposition towards soya products now, something which was absent earlier," says he.

The markets certainly seem to agree. The share prices of soya companies, which were earlier on the skids in 1988 after zooming to dizzy heights in 1986, are slowly climbing to steadier rates above face value (see table). "Share prices for well-managed companies will range between Rs 15 and Rs 25 this year," predicts Shahra.

There is no doubt that the industry is still in its embryonic stage. The future, however, looks bright, according to Sami. Seconds Shahra, "This is just the beginning. Wait and watch its enormous potential." Indeed, industry watchers will just be doing that — wait and watch — in 1989 and the years to come.

■ *Srinivas Vijay*

SUGAR

BITTER PROSPECTS

At the start of the current sugar season, Indian Sugar Mills Association (ISMA) president Ram V. Tyagarajan was busy patting himself on the back. At ISMA's annual general meeting for 1988, Tyagarajan made it a point to tell the Union minister of state for food and civil supplies, Pandit Sukh Ram, that the performance of the sugar sector had been "superlative." The clinching evidence: India had achieved the singular distinction of being the largest producer of white sugar in the world, displacing Brazil.

Nine months down sugar 'year' 1988-89 (running from October to September), though, not many hurrahs and hosannahs are being raised. Several factors have compounded themselves to cause the emergence of a grim sugar supply scenario. The sequence of events :

■ With gur (jaggery) prices looking up nationwide, there has been large-scale diversion of sugarcane supplies to gur producers. As a result, many of the country's 410 licensed sugar units have been starved of cane. According to latest assessments, sugar production this season ending September will fall short of the plan target of 10.2 million tonnes (mt) by anywhere between half to one million tonnes.

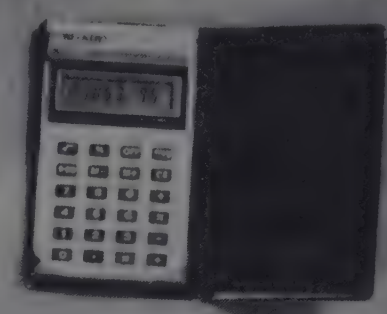
■ Taking the worst production scenario of 9.2 mt for 1988-89, and adding the opening stock of 2.4 mt, this means that this year's availability will be around 11.6 mt. In the first seven months of the current sugar 'year', the country is estimated to have already consumed 6.6 mt, leaving only 5 mt for the remaining five months of the season. The estimated demand is 5.6 mt, meaning that a 600,000-tonne deficit is on the anvil.

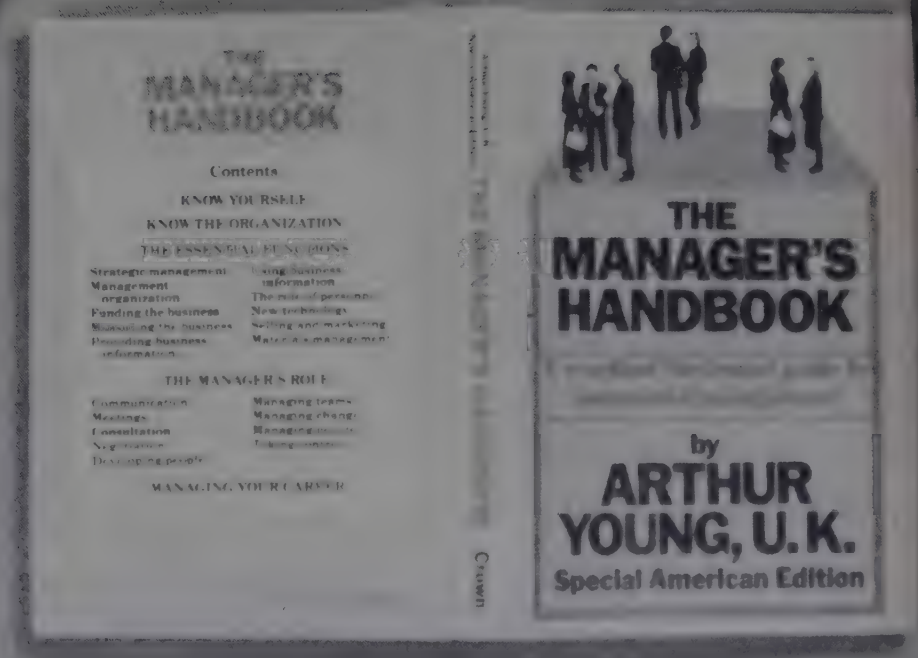
■ Realising this virtually at the last minute, the Union government has reversed its decision (announced by Sukh Ram at Calcutta only in April)

Do you know yourself Mr. Manager

The Manager's Handbook is a highly readable and practical book which provides the tools a manager needs to plan, organize, motivate, and communicate, for successful management of his or her resources.

Good Managers are not born, they are made.





Available in hard cover at all leading bookshops
Original price: Rs. 285.40
Special price: Rs. 75.00

India Book Distributors
107 108 Arcadia, 195 Nariman Point, Bombay-400 021
Tel 225220 224691 224646

Yes! Please send me _____ copy copies of The Manager's Handbook @ Rs 75 - each. Packing & postage free
Enclosed is Rs _____ by Cheque [ ] Bank Draft

All Cheques Bank Drafts should be payable to "India Book Distributors" only

FORM 1-A

[Rule 4-A(1)]

NOTICE

It is hereby notified for the information of the public that M/s. INDIAN DYESTUFF INDUSTRIES LTD. proposes to make an application to the Central Government in the Dept. of Company Affairs, New Delhi, under Sub-Section (1) of Section 21 of the Monopolies and Restrictive Trade Practices Act, 1969 for substantial expansion of their undertaking at Boisar. Brief particulars of the proposal are as under:

1.	Name and Address of the Owner Undertaking	:	**INDIAN DYESTUFF INDUSTRIES LIMITED** Mafatlal Centre, Nariman Point Bombay-400021	
2.	Capital Structure of the Owner Undertaking	:		**Equity** (Rs. in Lacs) **Preference**
			Authorised Capital	2000.00 —
			Subscribed & Paid-up Capital	1131.26 —
3.	Location of the Unit or Division to be expanded	:	Boisar Unit, situated at Plot No. D-16, MIDC Industrial Area, Boisar, Dist. Thane in the State of Maharashtra	
4.	In case the expansion relates to the production, storage, supply distribution, marketing or control of goods, indicate	:		
	(i) Name of Goods	:	Pesticides, namely: (a) MONOCROTOPHOS (b) PHOSPHAMIDON	
	(ii) Licensed capacity/ turnover before expansion	:	Organic Pigments : 500 MT DK Derivatives : 3600 MT	
	(iii) Expansion proposed	:	Monocrotophos : 500 MT Phosphamidon : 300 MT	
5.	In case expansion relates to any service, state the extent of expansion in terms of usual measures, such as, value, turnover, income, etc.	:	Not applicable	
6.	Cost of the Project	:	Rs. 725 Lacs	
7.	Scheme of Finance Indicating the amounts to be raised from each source	:	Rs. 500 lacs Term Loans from financial institutions and Rs. 225 lacs from internal accruals.	

Any person interested in the matter may make a representation in quadruplicate to the Secretary, Department of Company Affairs, Govt. of India, Shastri Bhavan, New Delhi, within 14 days from the date of publication of this notice, intimating his views on the proposal and indicating the nature of his interest therein.

Dated: 18th May, 1989

NALIN N. SHAH
COMPANY SECRETARY

to export 100,000 tonnes of sugar this year. On the contrary, India might actually have to import 200,000 tonnes of sugar this summer to keep the prices of this sensitive commodity under control in an election year.

■ These imports will cost a hefty US $76 million (Rs 122 crores) at the prevailing international sugar price of around $350 f.o.b. per tonne, up from $278 earlier this year.

■ Not surprisingly, domestic sugar prices have been on an upward sweep for several weeks now. Prices per quintal in the Bombay market, which were at around Rs 650 in February and Rs 700 in March, crossed the Rs 800-mark around mid-May before weakening.

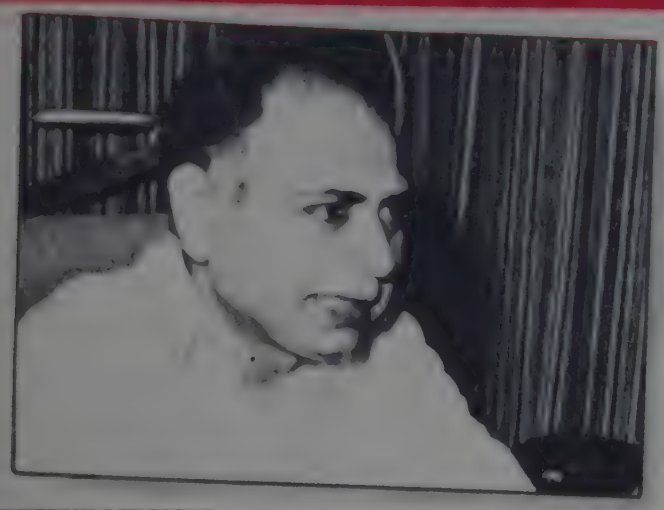
With the spurt in sugar prices, a slanging match has started between the mills and trade. Neither party wants to take the blame.

Apprehensions. The net result of all this infighting is a very real apprehension that the Centre will tighten its grip on the sugar industry by "readjusting" the controls. Sugar is a politically sensitive commodity. On the one hand, cane-growers form a large rural vote bank, while on the other, the consuming public has also to be placated. As it is, the government controls input costs (i.e. sugarcane prices), selling prices and distribution modalities. Other aspects like stock limits are also controlled.

The official stand of ISMA is that the government's present policy of "partial decontrol" — which obviously means the same thing as "partial control" — has "stood the test of time." In particular, it has helped the industry achieve "spectacular results" in the last three seasons. Notes Tyagarajan: "We have successfully broken the traditional and recurring sugar production cycles of peaks and troughs witnessed ever since the inception of the industry."

But if the latest trends are any indication, adjectives like "spectacular" will certainly not apply to the current season. And assuming that the government will not allow the runaway price escalation to happen, chances are that control mechanisms will be pressed into action as a preventive measure. Which is no doubt a bitter prospect for sweet crystal makers and traders.

■ *Sujoy Gupta*



DAVE MEETS RESISTANCE

SEBI's VIEWS OPPOSED

The Securities & Exchange Board of India (Sebi) has crossed swords with the corporate sector. Chairman S.A. Dave's proposal for maximum disclosures in prospectuses for public issues has met with some resistance from industrialists.

Dave feels that the details published in prospectuses should be considered the sole responsibility of merchant bankers.

At a meeting in Calcutta last month, industrialists like Sanjiv Goenka and Sidharth Birla told Dave that the kind of information Sebi is asking for is irrelevant to the general investor. Dave countered that current-day prospectuses did not contain all the relevant details. Besides many of the public issue brochures misrepresented facts.

But Sebi has hardly any powers to see its proposals through and enforce them.

BOARD OF TRADE CONSTITUTED

The government has brought out the Board of Trade from the cupboard and revitalised it. Five sub-committees, manned by compact teams, have been set up to deal with foreign trade policy, internal policy issues, infrastructure, finance and procedural matters. This was announced by Dinesh Singh, Union minister for commerce, when he addressed the first meeting of the board.

While the sub-committee on foreign trade policy includes the commerce secretary, the special secretary in the prime minister's office, the presidents of Ficci and Assocham and Hari Shankar Singhania, the one on internal policy matters will include the commerce secretary, the secretaries of planning, industry and revenue and two non-official members of the Board of Trade (BoT). The sub-committee on infrastructure will include secretaries from the ministries of transport, energy and civil aviation, the chairman of the Railway Board and two non-official members of the BoT, and the one on finance will include the finance seccretary, the governor of the RBI, the managing director of the Exim Bank, the economic advisor to the ministry of commerce and two non-official members of the BoT. The sub-committee on procedural matters will include the additional secretary in the commerce ministry, the chief controller of imports and exports, the secretary of the DGTD and two non-official members.

AXE ON POWER ROYALTY?

The states are likely to become a mite more powerless in the future. Till now, states in which hydel projects were located enjoyed a 12% royalty by way of free power. Now, the ministry of water resources has put forward the claim that the royalty rights should be abolished as rivers and other water sources are national property.

The ministry's claim is being supported by the power department which has felt the pinch of royalty payment on its hydel projects. This has had an adverse impact on the profits generated by the projects. The National Hydroelectric Power Corporation has to write off returns on 12% of its hydel generation from the commencement of operations in all projects.

If the government cuts the royalty, it is going to have an obvious fallout. Many states may demand a share of free water from the rivers for irrigation purposes in lieu of royalty.

AIDING INDIA

The Aid-India consortium has reportedly been advised by the World Bank to commit aid to the tune of $6.7 billion for fiscal 1990. This would facilitate quicker disbursements and partially mitigate the country's balance of payments strains.

The reason for this bit of good news is, however, not all that good. The annual report of the World Bank, which forms the basis of the consortium deliberations, while commending the economy's improved growth performance in 1988-89, sees little room for complacency.

The World Bank has urged the government to try to reduce the ballooning external and fiscal deficits. Higher export growth and smaller fiscal deficits, along with increased concessional disbursements from the consortium would limit the growth in commercial borrowing to manageable limits. Otherwise, a dangerous debt trap is in the offing.

NEW DUTY DRAWBACK RATES

To push up exports, the government has just announced enhanced duty drawback rates for 126 items and included 16 new items in the list. The rate increases range from 10% to 20% while in the case of the new items the rates range from 2% to 11%.

The new rates follow changes in customs and excise duties in the 1989-90 budget. The new items qualifying for duty drawback include floppy diskettes, vacuum flasks, injection moulding machines, copper wound transformers, motorcycles and fibre-tip pens.

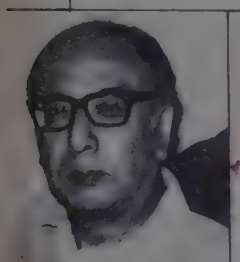
Simultaneously, the list of 'deemed imports' for availing oneself of duty drawback has been widened to include 17 new items to take the total to 39. Under the deemed imports status, exporters are allowed duty drawback on the raw materials mentioned in the list even if they are procured from domestic sources.

BIG TROUBLE IN CHINA

In most parts of the world there has been a great deal of histrionics registering shock and indignation over the violent suppression of the students' movement in China. At the level of humane feeling that is only appropriate where tragic loss of life is involved. Yet, a political accountant totting up the pluses and minuses of this affair must conclude that whereas the "movement" has not brought China any nearer to "democracy," it has nevertheless achieved a number of things.

First, the position of Deng Xiaoping,the architect of modernisation, has been seriously weakened. Second, the hardliners in China, the Soviet Union and the United States have been greatly encouraged. Third, Sino-US relations, carefully nurtured by both sides over the years, have been jeopardised with a cutoff in American military supplies. Fourth, the kind of thinking associated with the conservative Heritage Foundation has received an unexpected lease of life. Fifth, there are now additional question-marks over perestroika and glasnost in Gorbachev's Soviet Union. Collectively these add up to a fallout of which no Chinese student in his right mind could be proud of.

Early on Deng warned that all the "hopes" China had pinned on modernisation were at stake; and the sequence of events at Tiananmen Square since Hu Yaobang's death in April has proved his words to be more than true. The genesis of the present crisis can be traced back to the Mao years when the question of how ideology could be reconciled with modernisation began to press for an answer. It was one of those questions which, though seldom articulated, always hovered oppressively over the formulation of basic policy. In December last year the controversy reached a climax of sorts when an article in the *People's Daily* criticised Marxism in a frontal confrontation that had never been attempted before. It was almost immediately followed by a "clarification" in which the theme of the earlier article was modified to say that the "works of Marx and Lenin could not be depended upon to solve 'all' of China's problems."



The fallout from the recent trouble in China is something which no Chinese student in his right mind could be proud of

There is all the difference in the world between abandoning Marxism and readapting it in an evolving situation. Clearly and unsurprisingly opinions were divided in the Chinese Communist Party's leadership. One of the self-serving notions that has taken root outside China is that any evidence of a controversy in the higher echelons of the communist leadership is a confirmation of national weakness and failure.The *People's Daily* article had been inspired by Hu Yaobang and the "clarification" had been similarly inspired by his opponents, reflecting the to and fro movement of opinion in the Chinese political hierarchy.

If, as Deng rightly saw it, the stakes were high, it must be presumed that those opposed to restructuring also saw it in the same light. Is it conceivable that an issue that had been debated over the years in a spirit of inquiry, despite the high feeling it provoked, could have deteriorated into violence without the deliberate connivance of those engineering the so-called movement for "democracy"?

Deng, in fact, through his own person and his statements, symbolised the great dilemma which was at the root of the national debate. There was, in short, an unacknowledged yet very real set of rules according to which the dialogue was being carried on. It was into this delicately balanced situation, not without a large element of mutual accommodation and a shared spirit of inquiry, that the student movement erupted with defiance as its keynote and with every appearance of having been organised on a large scale with the support and guidance of sympathisers behind the scenes.

REAL THREAT

Neither American rhetoric of the Stephen Solarz variety nor a poem by Vikram Seth nor a painting by Hussain can wholly conceal the colossal banality of trying to represent the student uprising as a blow for "democracy". Li Peng is a protege of Zhou Enlai on whose behalf the students demonstrated not long ago as they also did in Deng's support when he was hardpressed by the hardliners. Now both are suddenly villains as the students see it. Neither Deng, who has said that China is not ready for democracy, nor Li Peng, who has said that democracy must develop naturally from Chinese conditions, can be bothered much by the confused slogan-mongering of the student mobs. But the threat had become very real not only to the modernisation experiment but to the stability of a leadership under which a controlled advance towards greater liberalisation can be undertaken.

Deng had inaugurated the great experiment and the means by which it was to be carried out and debated; and when both were endangered he chose to come down hard on the agitators after a period of considerable forbearance. The bid to assassinate Li Peng and reported clashes between army units indicate that Deng was confronted by something infinitely more than a student agitation. He needed to assert the central authority and he has done so, giving notice that he will not be swayed by disapproval from any quarter. The moral for the rest of the world surely is to avoid interpreting the Chinese scene in terms that flatter its own ego and to leave the Chinese to carry on their experiment with modernisation at their own pace and in their own way under leaders who thought of liberalisation long before the students were born or came of age.

Modernisation is no picnic and calls for a tightening of belts for which the young have little stomach; and if they have picked up fanciful ideas of a shortcut to material prosperity from the western media they needed to be promptly disabused of this. Meanwhile lectures on democracy and freedom are the last thing the situation calls for, least of all from the tribe of American cold-war warriors whose store of political ammunition has been greatly and unwittingly replenished by the hapless Chinese students.

■ *N.J. Nanporia*

The author is a former editor of The Statesman *and* The Times of India



International Instruments Limited, better known as YENKAY, has an unmatched reputation for high quality automotive instruments. Instruments which are the result of YENKAY's firm foundations. Like its strong financial and technological association with VDO Adolf Schindling AG of West Germany, a world renowned manufacturer of instruments for air, sea and land borne vehicles. YENKAY also has collaborations with leading Japanese manufacturers like Nippon Seiki for two-wheeler instruments and Honda Lock, Mitsuba and Toyo Denso for automotive switches.

YENKAY. Eagle-eye sharp. Because no detail is too small when you produce the best in automotive instruments.



RK SWAMY/IIL/3911 R

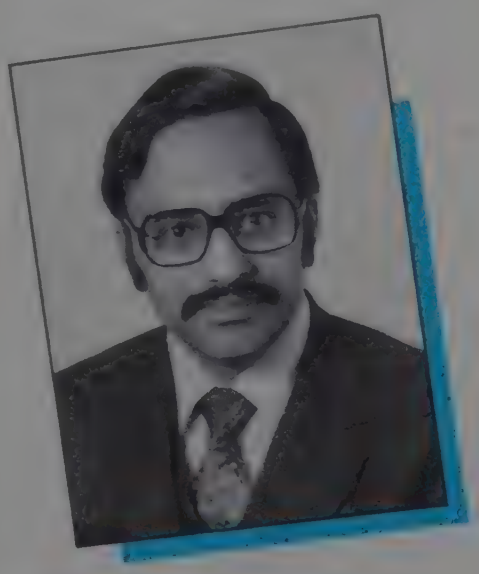
YENKAY
Precisely!

YENKAY

International Instruments Limited 140, Hosur Road, Bangalore – 560 034.

For genuine YENKAY Instruments and Cables, contact the nearest authorised YENKAY stockists, or dealers of Premier Auto Electric Limited, Jullundur Motor Agency and Howrah Motor Company.

problem" is the non-availability and price escalations of essential raw materials like silimanite, kyanite and technical aluminas. Dalmia fears that the price of chrome ore — "an essential input for certain qualities of basic refractories" — may also go up soon by as much as 35%-50%. "It is not our case that all raw material prices be permanently frozen. But we do wish to emphasise that when most of our raw materials are developed and supplied by government bodies and sold at administered prices, there is a need to see that these prices are not fixed preremptorily and without regard to the selling prices of the final refractory product," he reasons.



DALMIA WANTS A FAIR DEAL

For good measure, Dalmia points out that refractory manufacturers operate under another great disadvantage: namely serious anomalies in the customs duty structure. To wit, while the customs duty on finished refractory bricks is 61%, the duty on the raw materials required to manufacture these products ranges from 110%-140% *ad valorem*. The abrasive wheel industry can import alumina at 40% duty, while for the same alumina the refractory industry has to shell out 110% duty. "This aspect has been repeatedly represented to the central government but no relief has so far been given," observes Dalmia.

Naturally, domestic prices become uncompetitive when compared to the cost of direct imports of refractories by user industries. According to Dalmia, this largely explains the underutilised capacity.

"We look for sympathetic support from the government and important consumer segments," says Dalmia. "A price hike of 30%-35% in refractory products would enable the industry to come out of the doldrums." Getting the hike remains, however, a refractory problem.

A CHIP SHOT

He's put his chips on the table: 24-year-old Hemant Goenka has staked a whopping Rs 3.7 crores on the premise that when it comes to munching potato chips, one munch is never enough.

Enter FunMunch, plugged as the country's "healthiest, freshest, liveliest potato chips" and one which throws at consumers the ultimate challenge in self-restraint: try stopping at one. Last month, Goenka's FunMunch launch beseiged the citizens of Calcutta with a high profile — and by initial reports, successful — media and display campaign. Thanks to this, the product is selling at the handsome rate of 1 tonne a day.

Hygiene. According to Goenka, his claim that FunMunch is the best available product in a market which is almost wholly non-branded is not an idle one. "Our chips are superior with respect to size, crunchability and flavour," he claims. The key factors behind this include a carefully temperature-controlled warehouse where potatoes are preserved at 8-10/° C to prevent sugar formation. Also, the chips are fried in pure, refined groundnut oil specially processed for FunMunch by Lipton India. For good measure, technical collaboration has been lined up with Zweifel Pomy Chips S.A. of Switzerland, the largest Swiss manufacturer of chips and snack-foods.

The manufacturing environs are also appropriately Swiss-like and swank, replete with a microprocessor-controlled production line and computerised packing machines. Needless to say, emphasises Goenka, the entire factory conforms to the strictest standards of hygiene.

The big question, of course, is whether India's nascent processed food industry is mature enough to support such sophistication. Even heavyweight entrants have concluded that discretion is the better part of valour: Bombay-based Indian Organics, for instance, which quietly withdrew its chips launched last year under the brand-name Nik-Naks. There are two branded chips currently available in the Delhi market (Uncle Chips and Golden Crisp) but there are no indications that business is booming.

The key. Goenka maintains that his organisation has a distinct



GOENKA HOPES FOR A CRUNCH

advantage in the estimated Rs 8 crores per annum Calcutta chips market: "Once product quality is assured, the essence lies in marketing of which, in turn, the key is distribution. As the eastern sector's largest soft drink bottlers, we are familiar with the nuances and logistics of consumer product distribution." Incidentally, Goenka's initiation into entrepreneurship has followed his return in 1987 from

Reaching out to the
remotest corners of the country...

LIC's new business crosses Rs.17,000 crore

In 1988-89 LIC wrote a new business of Rs.17,239 crore under 59.85 lakh policies. This represents a growth of 39% in sum assured and 28% in policies over the preceding year. New business has grown by a record 90% in just 2 years.

In the group insurance field LIC has recorded a 40% growth. Over 22 lakh new lives have been covered under 7,860 schemes. These are besides the schemes for 3 crore agricultural landless labourers and 40 lakh IRDP beneficiaries.

In 1988-89 LIC sold 1.74 lakh Jeevan Dhara and Jeevan Akshay policies. These help people to plan a retirement income.

LIC is playing important role in several directions—individual life insurance, group insurance, social security schemes and pensions. LIC's growth is proof of people's faith in life insurance.

And what is more—the premiums paid by millions of policyholders go towards the economic development of the country through investments in socially-oriented sectors.

In the service of the people —

Life Insurance Corporation of India

Adelphi University (New York) armed with a bachelor's degree in business administration.

Reasons Goenka: "The soft drinks culture is essentially American. Yet it has caught on well in India. There is no reason why chips, the snack which goes best with soft drinks and of which $4 billion worth is sold in the US each year, can't be equally popular in this country as well."

Particularly when consumers simply cannot stop at one munch. Or at one FunMunch, if Goenka is to have his way.

A THIRST FOR SUCCESS

In the fizzy world of bottled drinks, there's place for a more humble liquid: mineral water. In the US and Europe, mineral water has an established niche. Not so in India, where the market is yet to open up. Taking up a lion's gulp from this admittedly small pool is Parle's Bisleri.

CONFIDENT PARKER



But with the market growing at the fast-ish pace of 25%-30% annually, it was bound to attract attention sooner or later. And so it has. Enter Akshaya Parker, managing director of Sparkle Foods Pvt. Ltd. In early June, 1989, Parker uncorked a challenge to Bisleri with his Aquaspa and launched the product in four places: Bombay, Madras, Bangalore and Goa. "At such an enthusing market growth rate, Aquaspa has got to succeed," says he.

Aquaspa's chief may be exuding confidence, but he's not taking any chances. To be sold in 1-litre plastic bottles, Aquaspa will be priced the same as Bisleri (at Rs 6.50). If he is able to maintain better trade discipline than Bisleri does now, it should be considerably cheaper (the latter retails at (Rs 8-20 per bottle, depending on where one buys the product).

"In fact we wanted to price Aqua higher than Bisleri since our costs of technology and packaging are quite high. But we felt that higher prices would place our distributors at a disadvantage and also affect our sales," says Parker. He plans to increase prices later.

Demand. Parker estimates the market demand to be around 7-8 million bottles a year (approximate value: Rs 5 crores). The demand in Bombay itself could be about 3 million. Nothing earthshaking compared to the size of the bottled drinks market, but certainly worth looking at considering that what is being sold is little more exciting than plain and simple water. For, contrary to popular perception, the term mineral water is a misnomer. No minerals are added to enrich the water; rather, harmful constituents like cobalt, lead and nitrates are removed, thus leaving



AQUASPA: THE BISLERI CHALLENGER

behind an ideal mix of minerals such as sodium, potassium, calcium, *et al*.

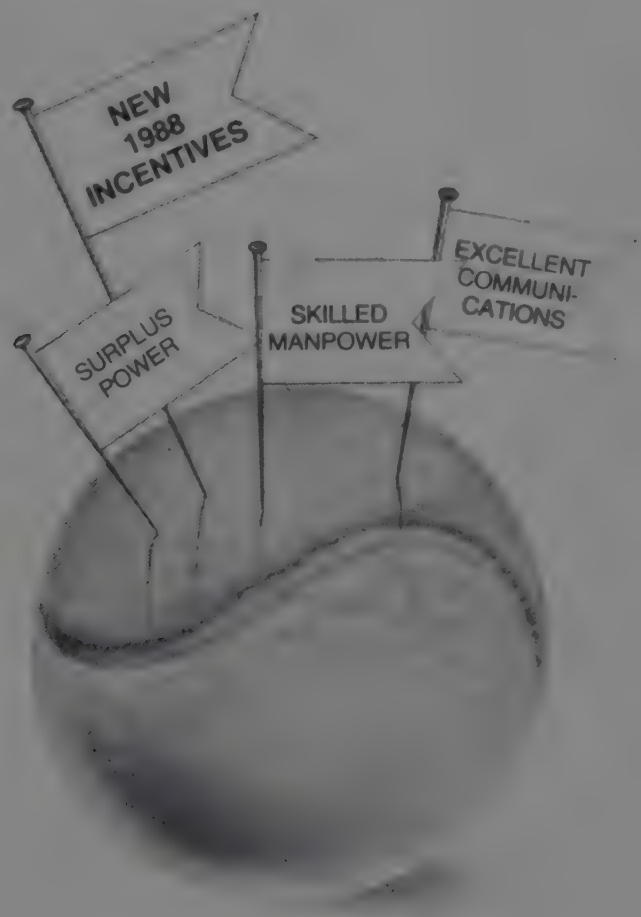
Sparkle's Rs 1 crore automatic bottling plant at Thane, near Bombay, boasts of sophisticated water treatment equipment imported from France and West Germany. With an installed capacity of 5 million bottles, the company will produce about 2.5 million in the first year. If demand picks up, he will boost production. His target customers: foreign tourists, peripatetic whitecollar executives, and the health-conscious well-to-do. Parker, who has a partner in Bhavesh Javeri, also has an eye on the export markets of West Asia, Nepal, Bhutan and Sri Lanka.

Aquaspa has been given a favourable rating by various laboratories in India and abroad. Even the World Health Organisation and the European Community have given the product the thumbs up. Parker hopes the burgeoning market for hygienic water will do the same shortly.

(Contributed by N. Raghavan, Ashoke Laha, Sujoy Gupta and Srinivas Vijay.)

NEW INCENTIVES | SURPLUS POWER | SKILLED MANPOWER | EXCELLENT COMMUNICATIONS

•THAT'S ADVANTAGE MAHARASHTRA•



WHEN YOU THINK OF INDUSTRIES

Set up your industry in Maharashtra. And avail of the new 1988 package of incentives. Super incentives you would have hardly imagined any State would give.

Extraordinary features:

Substantial increase in Sales Tax incentives and Special Capital Incentive. Incentive periods raised upto 10 years. Sales tax exemption/ deferral made available where expansion/diversification is undertaken with minimum Rs. one crore investment. Extra incentives provided for energy saving devices, pollution control measures and for local employment. For power intensive units, there will be refund of electricity duty. Resource-based industries get incentives on par with other industries. You get these incentives practically all over Maharashtra except Bombay/Pune and some nearby areas.

The ingredients for success

Besides, Maharashtra offers your industry everything it needs to thrive. Unrestricted power. Abundant water. A readymade communications network. Infrastructure complete with modern amenities in the Growth Centres. A ready market and most of all, an industrial culture that provides skilled productive labour.

SICOM – to top it all

Whatever the size of your unit – medium or large – you can depend on SICOM for plant location, technical guidance, finance and escort services. Everything you need to get your industry off to a flying start.

For details contact:
The General Manager – Business Development

SICOM

THE STATE INDUSTRIAL AND INVESTMENT CORPORATION OF MAHARASHTRA LIMITED
Nirmal, 1st floor, Nariman Point, Bombay-400 021.
Phone: 2023018, 2021855 Telex: 011-3066
FAX: (022) 2023008

SICOM

CLARION/SM 17/205

CESC Limited

Notice

It is hereby notified for the information of the public that CESC Limited proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi, under sub-section (2) of section 22 of the Monopolies and Restrictive Trade Practices Act, 1969, for approval to the establishment of a new undertaking. Brief particulars of the proposal are as under:

1. Name and Address of the applicant : **CESC Limited**
   Victoria House Chowringhee Square Calcutta 700 00

2. Capital structure of the applicant organisation :

AUTHORISED CAPITAL

		Rs.
23250000	Equity Shares of Rs. 10/- each	23,25,00,00
3250000	7½% Cumulative Preference shares of Rs. 10/- each	3,25,00,00
		26,50,00,00

ISSUED AND SUBSCRIBED CAPITAL

16945026	Equity Shares of Rs. 10/-each fully paid	16,94,50,26
3207029	7½% Cumulative Preference Shares of Rs. 10/- each|fully paid	3,20,70,29
		20,15,20,55

3. Management structure of the applicant organisation indicating the names of the directors, including managing/wholetime directors and manager, if any : The applicant Company is managed by a Board of Directors with a Managing Director and 3 Wholetime Directors.

Mr. Bhaskar Mitter	Chairman
Mr. R.P. Goenka	Vice Chairman
Mr. P.B. Ghosh	Managing Directo
Mr. B.P. Ray	Director
Mr. J.K. Sarkar	Director
Mr. D. Basu	Director
Mr. S.K. Sen	Director
Mr. P.C. Guha	Director
Mr. T.K. Maitra	Director
Mr. Sanjiv Goenka	Director
Mr. S.K. Niyogi	Wholetime Directo
Mr. C. Dasgupta	Wholetime Directo
Mr. A.. Chatterjee	Wholetime Directo

4. Indicate whether the proposal relates to the establishment of a new undertaking or a new unit/division	:	The proposal relates to the establishment of a new undertaking, by incorporation of a new company which however will be a wholly owned subsidiary of the applicant, namely CESC Limited.
5. Location of the new undertaking	:	The Registered Office of the new undertaking is proposed to be located at Victoria House, Chowringhee Square, Calcutta 700001.
6. Capital structure of the proposed undertaking	:	AUTHORISED CAPITAL (Initially) 50,000 Equity Shares of Rs. 10/- each Rs. 5,00,000 The Authorised Capital is proposed to be gradually increased to Rs. 1 crore divided into 10,00,000 Equity Shares of Rs. 10/- each ISSUED AND SUBSCRIBED CAPITAL On incorporation, the new company will have a Subscribed Share Capital of Rs. 100/- divided into 10 Equity Shares of Rs. 10/- each which is proposed to be gradually raised to a sum not exceeding Rs. 1 crore divided into 10,00,000 Equity Shares of Rs. 10/- each.
7. In case the proposal relates to the production, storage, supply, distribution, marketing or control of any goods/articles, indicate i) Names of goods/articles ii) Proposed licensed capacity iii) Estimated annual turnover	:	The proposal does not relate to the production, storage, supply, distribution, marketing or control of any goods or articles.
8. In case the proposal relates to the provision of any service, state the volume of activity in terms of usual measures such as value, income, turnover etc.	:	It is not possible to estimate the value of bills to be raised in respect of the proposed Consultancy and Contracting business.
9. Cost of the project		Not applicable
10. Scheme of finance, indicating the amounts to be raised from each source.	:	Subject to obtaining necessary approvals CESC Limited proposes to invest a sum not exceeding Rs. 1 crore in 10,00,000 Equity Shares of Rs. 10/- each of the new company.

Any person interested in the matter may make a representation in quadruplicate to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, New Delhi, within 14 days from the date of publication of this notice, intimating his views on the proposal and indicating the nature of his interest therein.

Victoria House, Chowringhee Square, Calcutta 700 001.
Dated, Calcutta, this 26th day of May, 1989

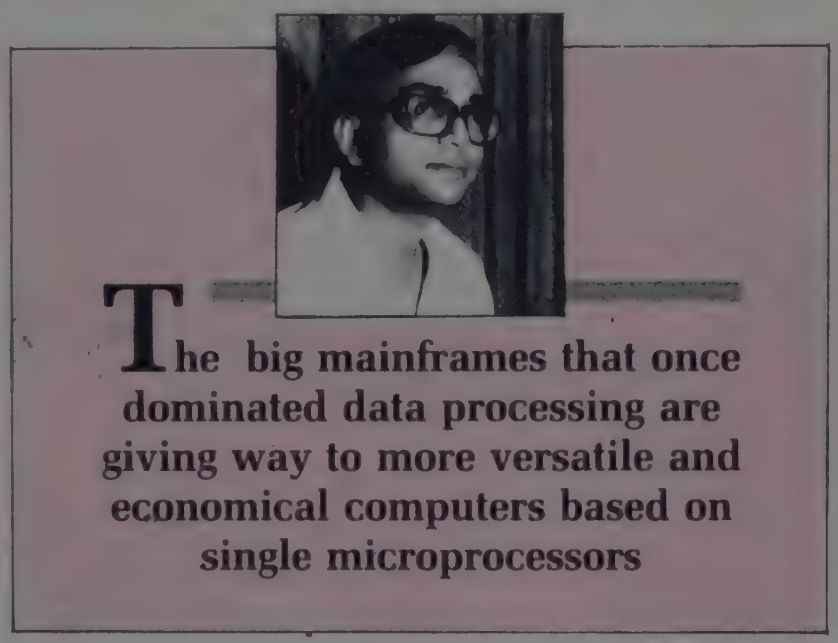
PRIYA BRATA GHOSH
MANAGING DIRECTOR

THE DEATH OF MAINFRAMES?

Microprocessor chips used in personal computers have become more powerful. Microchips have always been cheap compared with the more complex electronic circuits used in larger computers. But they have also been under-powered, limiting micro-computers to fairly mundane tasks such as word processing. Now a new generation of microchips such as Intel's 80386 and Motorola's 68030 can crunch information in 32-bit chunks — twice as much as the fastest PCs consumed just a year ago and the same amount as DEC minicomputers costing over Rs 6 lakhs.

Machines using the new Intel and Motorola chips entered the market in 1986. Since then, they have performed outstandingly — compellingly enough to catch the eye of even the most technology-jaded customers. Indeed, it is hard to ignore a Rs 85,000 desktop machine based on Intel's 80386 that runs as fast as many mainframes costing 20 times more. Even IBM, which usually thinks twice before broadcasting a comparison, has boasted that its fastest 80386-based Personal System/2 has the raw processing speed of a 1975 370/168 mainframe costing around Rs 4 crores.

Putting yesterday's mainframe on today's desktop turns the fundamental economic principle of the mainframe era on its head. The basic rule has been that processing power is dear and, therefore, must be shared by as many terminals as possible. A few years ago, when minicomputers and PCs began pushing relatively inexpensive computing power beyond the mainframe, mainframe manufacturers still argued that their high-powered behemoths could handle most tasks more efficiently. No longer. The new chips will make it cheaper to do all but the most complex job on microcomputer.



The big mainframes that once dominated data processing are giving way to more versatile and economical computers based on single microprocessors

The new generation of PCs using the advanced chips is catching on faster than most experts predicted. Approximately 0.32 million computers using the Intel 80386 were sold in 1987, and about 2.5 million were sold in 1988. Combined with the sale of 2.2 million equally powerful Motorola chips, that adds up to enough raw computing power to handle something like 20 trillion instructions per second. Initially, many customers are using the power of the new micros to speed up the work they have always done on PCs. But, as better software becomes available, customers are finding that they can do a minicomputer or mainframe job on a micro.

But the new shape of the computer industry reflects more than the better economics of micro-hardware. Companies have discovered that it is much faster to program a new function on a micro than on a larger machine. In big corporations, it is not uncommon for programmers to have a two-year backlog of requests from various departments to add new programs to the mainframe system. And even if mainframe programmers can get to a request immediately, it can take months to complete a major new application.

The PC generation has been weaned on a style of computing that is difficult to duplicate on mainframes and minicomputers. When a PC operator punches in a command on the keyboard, there is an instantaneous response on the screen because the PC's power is not shared with other workers. As anyone who has waited for an answer from an automated teller machine knows, a mainframe slows down when too many people try to share it. Moreover, employees like working with PC programs better than mainframe programs.

The PC has changed the habits of computer buyers too. Just as office workers have grown accustomed to the autonomy of a personal computer, the PC has liberated data processing managers. The hugely popular IBM PC and its horde of clones have created the closest thing to a generic computer the industry has ever seen. The same basic PC software will run on anything from a Rs 25,000 Taiwanese clone to the latest Rs 85,000 PC based on an 80386 microchip. For the first time, consumers can make direct comparisons among different brands.

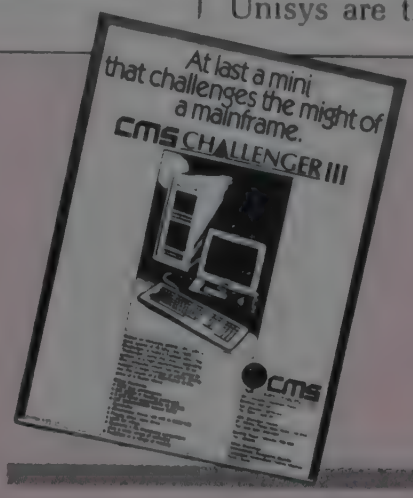
That puts unprecedented power in the hands of buyers. And in the long run this may mean more to computer makers than even the most powerful microchips. Before the proliferation of mass-produced micros, each manufacturer had its own proprietary hardware and software designs. Once a customer bought a particular computer, he was effectively "locked in" because the software and peripheral equipment he added to that system could not be transferred to any other computer brand.

While that will continue to be the case with mainframes, buyers can try to avoid getting trapped in the future by choosing small systems. A market dominated by micro-computers seems destined to operate with lower margins because the machines are built from nearly identical sets of chips and components. The differences among brands tend to blur, putting greater emphasis on price. Even Apple, whose proprietary software has prevented clones from driving down the prices of its machines, has gross margins of only 52%. That is better than the 40% that other microcomputer makers live with, but it still reflects the effects of commodity components on microcomputer margins. IBM's experience with the original PC shows that once a commodity mentality takes hold, even the most powerful brandname in the industry loses its clout. As clones of its PC flooded the market, IBM slashed prices — and still its share of the PC market fell, from 71% in 1984 to 34% in 1986.

As a result, IBM chairman John Akers declared that his company would withdraw from such a "commodity business," and with the introduction of the Personal System/2 line he tried to make his PC more proprietary. That has been done in the more powerful PS/2 models with a unique socket for plugging in the circuit cards that customers add for communications, extra memory, and other functions. IBM is encouraging outsiders to design boards to fit the socket. But to stop them from cloning the PS/2 computer itself, IBM claims the socket, which it calls "microchannel," is proprietary and has refused to license it as such a move is not to its advantage. In the PC business, Compaq has stayed ahead by sticking with the standard and adding a few technological twists such as faster memory chips and better graphics. Sun Microsystems, a company that has tied up with Wipro for manufacturing design workstations in India, has enthusiastically promoted Unix and networking standards for its workstations and is now poised to enter the general purpose PC market.

Still, even for a fast moving young company such as Sun, keeping ahead in hardware technology is a struggle. Right now Sun is gambling that it can distinguish itself by using a proprietary microchip. But, in time, the basis for competition will shift away from basic hardware. The people who can really manage the network will be the most successful companies.

Indeed, with hardware becoming less lucrative, the next great battle in computers may be over networks and the extremely complicated software links that make them function. Customers increasingly see better networks as strategic tools to gain competitive advantage. As a result, the thing that sits on the desk is unimportant compared to the data and the network behind it. It is this new trend which has provided fresh life to the traditional mainframes.



With hardware becoming less lucrative, the next great battle in computers may be over networks and the extremely complicated software links that make them function

For years railroads dominated passenger transportation, only to be eclipsed by the more flexible automobile, bus, and plane. Likewise, the big mainframes that once dominated data processing are giving way to more versatile and economical computers based on single microprocessors.

But no matter how powerful the small machines may become, the mainframe is not about to be junked like the steam locomotive. For certain jobs it will always be the best tool. It excels at sifting through huge lists of information, which it can do faster than any foreseeable desktop machine. Where the need is to manage a large, central file of closely-related information — orders, inventory, work in progress, and shipments at a factory, for instance — the mainframe comes out tops. It also excels at processing large volumes of transactions, like those generated at banks and airline reservation desks. So, even though the number of mainframe systems in use is growing slowly, the companies who buy them add capacity often and in large chunks.

Indeed, once a mainframe maker has sold a system, the customer is usually hooked for life. After the purchase, the customer invests heavily in software and develops mainframe-oriented patterns for handling key data. To switch systems would require a costly and risky rewrite of those vital programs. Moreover, few customers have the technical expertise to attempt such a switch. Their mainframe suppliers have, in essence, become silent partners.

The mainframe computer today is in a state of evolution. Addressing the growing needs of users in terms of increased connectivity and the facility to share data in a distributed network setting, higher tolerance of common faults and greater sophistication in operating systems, today's mainframes, such as the ND-500 from ECIL, the 539 from ICIM, the Bull DPS 7000 and the A1 from Tata Unisys are three examples of the process of evolution.

Although these systems are superior in terms of pure processing speed as compared to present-day superminis, they will be increasingly challenged by newer breeds of computers featuring parallel processing and multi-processing architecture at a lower cost.

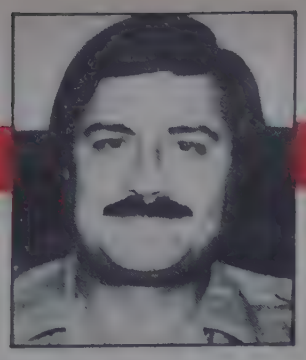
While the capacity to handle large data loads and volumes is still a characteristics of the contemporary mainframe, there is a distinct move away from the concept of centralisation to one of networking, with access to the centralised computer from remote locations.

The S-39 mainframe from ICIM for example, the first to be manufactured in India by a private sector firm, features data communication, 4GL and networking as its major attractions. It is aimed at defence, banking and insurance and large corporate users, where the management of large and complex databases and the ability to support a variety of peripherals, devices and development environments are the major user considerations. A measure of the S-39's capability, apart from its 16Mb of main memory and secondary storage of 100Mb, is the B-2 rating accorded to the system by the US department of defence.

The mainframe market in India is estimated to be worth at least Rs 150 crores, with users like the railways and the banking sector forming the bulwark of the market. Cheaper alternatives may come, but the mainframe itself is not about to do a dodo act.

■ *T.A. Balasubramanian*

The author is deputy manager (systems), HPCL, Bombay



PRODUCTS & PROCESSES

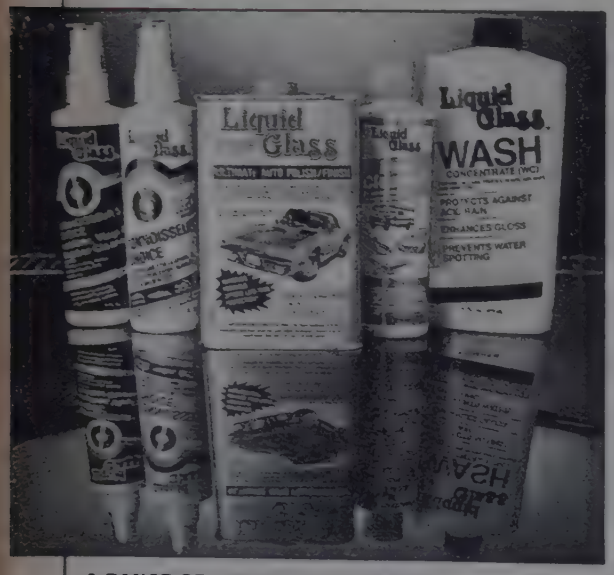
NEW PIPE LINING

Water pipes used in applications in which they are worn out rapidly can be given a corrosion-resistant cement-mortar lining by a new process developed in the UK by Biwater Pipe Linings Ltd. The lining is normally applied to pipes before laying, but can also be applied in situ.

This new lining becomes saturated with water producing a moist and highly alkaline interface. Other passive coatings have to rely on surface preparation and the covering of irregularities to resist penetration and subsequent flaking. It is suitable for pipes from 75 mm to 3 m in diameter and is applied using a centrifugal spraying process.

No special pretreatment is required; existing main water pipes have simply to be cleaned before mortar application.

LIQUID GLASS



A RANGE OF LIQUID GLASS POLISHES

Liquid Glass Enterprises of the US has developed a new polish for any non-porous surface which provides a crystal clear, ultra hard, smooth, glass-like finish. Used mainly on painted metal surfaces and fibreglass, this new product, branded Liquid Glass, contains no waxes, oils, greases, acrylics or teflons. It is a proprietary liquid formulation that is composed of the basic elements found in glass. Added to this liquid is a paint restoring agent, a rust inhibitor, a powerful cleaning agent and amine emulsifiers.

This formula cleans, polishes, mirror-shines and seals in a one-step application. Hard rubbing or buffing is not required.

TEXSOL

The French Bridges and Road Laboratory has patented a new construction material called Texsol. This new technology is available exclusively through the Société D' Application Du Texsol.

The Texsol process involves mixing soil and continuous polymer yarn. The yarn provides greatly increased tensile resistance. The effect of the yarn is to create much greater cohesion in granular material without sacrificing permeability. This property enables it to be used for greatly enhancing the strength of the soil. The material formed can be used for soil-based retaining walls and structures of all types, foundation layers under roads and railroads, antiseismic structures and embankments of all types. Texsol treatment provides protection against erosion and such soils can also be turfed.

PIEZO-FILM SENSOR

Pennwalt Corporation of the US manufactures a special plastic piezo film, branded Kynar, which generates electrical signals when subjected to mechanical stress or temperature changes. Piezoelectric transducers convert an electrical signal to physical motion or vice-versa.

Sensor materials used so far have usually been ceramic-based or titanates of barium or lead zirconite. The rigidity of the ceramic makes such sensors especially suited for converting electrical energy to mechanical motion in applications such as audio speakers or signalling alarms.

But ceramics are brittle and cannot be made with large surface areas or in complex shapes. Kynar, this new piezoelectric material based on polyvinylidene fluoride (PVDF), however, overcomes such drawbacks. Large thin sheets of the material can be cut or stamped into nearly any shape. The flexible film provides less transducing power than ceramics, especially at low frequencies. But the film is more sensitive to mechanical stress, withstands higher voltage and operates over a broader frequency range. These qualities make it superior to ceramics for many sensor applications.

Wafer-thin products can be made incorporating this new film. Some applications are: switches, strain sensors, impact sensors, flow sensors, vibration sensors, acoustic pickups, contact microphones, strain gauges and electromotional actuators such as displays, shutters, deformable mirrors, optical switches, etc. It is possible to make the sensor so sensitive to changes in temperature that it can register body heat from a distance of 15 metres.

COGS FOR DIFFICULT TERRAIN

Wessex (UK) plc has introduced the Bog-Cog — a quickly fitted wheel addition to motor vehicles of all types, which spreads weight and provides much greater traction. It is a grooved cone made of high-performance, resilient plastic and alloys and is fitted on to the axle of a vehicle.

Four cogs can be fitted within five minutes for use in mud, bogs, snow and sand. They nest compactly when not in use and are easily refitted using permanent wheel nuts, linch pins and single-nut clamps.

These cogs can prove indispensable for four-wheel drive vehicles, pickup trucks, commercial trucks, army vehicles, tractors and oilfield and construction vehicles.

■ *Ranjit Hira*

The author is the chief executive of Indea Consultants, Bombay.

Enquiries should be addressed to:
Indea Consultants,
C/o BusinessWorld, 145, Atlanta,
209, Ceremonial Boulevard,
Nariman Point, Bombay 400 021

flurys

GARDEN FRESH ASSAM

TEA



India is the world's largest producer, exporter and consumer of tea.
The country produces from the ordinary to the best teas,
yet the Indian consumer does not get to drink the best. That is
why APEEJAY, which is the 4th largest tea
producer in the country, has decided to introduce
its selectively picked high quality pure Assam tea
direct to the consumers.

This is pure Assam tea from our own tea gardens.
Make it the way you normally make your tea and it will
give you a superb flavour and liquor.
Drink this tea for 3 months and you will
never want your old brand again.



Surrendra Paul
Chairman

Assam Frontier Tea Ltd.
Empire Plantations (India) Ltd.
Singlo (India) Tea Co. Ltd.

Available at

PARK HOTEL, Parliament Street, New Delhi. Telephone : 352477.
FLURYS, Park Street, Calcutta. Telephone : 297664.
APEEJAY HOUSE , Dinsha Vachha Road, Bombay. Telephone : 221422.

and Better Stores in your neighbourhood.

AIR-INDIA TAKES WING

Rajan Jetley is a high-flyer. Unfortunately, Air-India, the airline he heads as managing director, has been a low-flyer in the recent past. But by 15 October, Jetley's ambitions and the national carrier's image should be more in alignment. For that's the day when Air-India's first new-look aircraft, complete with retrofitted interiors and emblazoned with a new logo, is scheduled to roll out at Bombay's Santa Cruz airport, making a clean break with the past.

But the facelift isn't just external. For even as the Rs 30 crore image revamping exercise gets the finishing touches, the airline has lifted its bottomline out of the red. After suffering a staggering loss of Rs 43 crores in 1987-88, Air-India has bounced back into the black, posting profits of Rs 40 crores in 1988-89. And since that came after wiping off the previous year's red stains, Jetley certainly had something to crow about.

He did. "It's the biggest-ever turnaround in Air-India's history," gushed Jetley at an early June press conference. "Air-India has finally arrived," he declared. Coming after what was arguably Air-India's worst year — a year marred further by rumours of board-level squabbles and unrest in the ranks of employees — Jetley had good reason to pat himself on the back. He attributed his success to a two-pronged strategy aimed at cutting costs and boosting revenues, on the one hand, and achieving substantial improvements in the product offered, on the other. The main objective, said Jetley, was to make the company internationally competitive.

"We did this by orienting the product to high-yielding business traffic." This meant the introduction of non-stop direct flights (whizzers in airline-speak) on the major routes to London, Tokyo and Paris, new daily flights to London and Frankfurt, and a number of "snoozers" (late night departures and early morning arrivals) to important destinations in Europe and elsewhere.



By October, the Maharajah will be transformed to reflect Air-India's new upmarket orientation

SPECTACULAR RESULTS

The results have been fairly spectacular: business and first class together carried an additional 8,000 passengers this year, bringing in the lucre. One indicator: the yield (in revenue tonnes per km) jumped to Rs 7.49, the highest in the airline's history, and a sixth higher than 1987-88's miserable Rs 6.41.

In line with this thrust upmarket, a host of improvements in infrastructure was put through : all the airline's agents were directly linked through computerised reservation systems, ground handling facilities at Delhi and Bombay were upgraded and a massive exercise was launched to computerise cargo operations worldwide.

All this hardware was matched by hard-sell. A Rs 17 crore advertising and promotional blitz was launched worldwide. Its salient features included the telecast of Air-India commercials for the first time in Britain and heavy advertising in the print media in Europe and West Asia, as well as a fresh campaign on home turf. And the bash isn't over. Says Jetley: "Soon we'll have door-to-door promotions worldwide."

Clearly, the accent seems to be on making a strong pitch to attract the top end of air travellers — executive and business class clientele. As a corollary, this means a gradual reduction of dependence on the traditionally money spinning Gulf routes. In the works are also plans to spruce up the product further, with personalised service for premium class passengers. Air-India already offers inflight frills like gifts and giveaways, food festivals, more movies and a wider choice of music.

The ringing cash register has certainly been music to the accountants. The airline has, for

AIR-INDIA'S TURNAROUND

(Rs crores)

	1988-89	1987-88	% increase
Operating revenue	1,150	996	15.5
Operating profit	67	(6.03)	—
Total revenue	1,205	1,024	17.7
Net profit	40	(43)	—
Yield*	7.49	6.41	16.8

* Revenue in Rs per tonne km

Source: Air-India

the first time, notched up profits on the US and Japan routes. More interestingly — and this is another first — Air-India hiked fares on the India-US routes to a level higher than Pan Am's on the same circuit. "We've taken the lead in stopping the tendency to undercut," says Jetley, who feels that armed with a better product Air-India can take a new look at prices.

But the most tantalising change in Air-India is still to be: its facelift. The curtain will go up on 15 October, when Landor Associates' new-look Air-India will be unveiled. The San Francisco agency's brief for the Rs 30 crore revamp was to totally change the airline's image. "We wanted to give it a more contemporary look," explains Jetley. While details of the revamp are being carefully kept under wraps, the plan certainly involves giving the airline a new logo and its fleet a complete facial. "Everything, including the uniforms for crews, will be redesigned," says an insider. Landor is an old hand at the game, having already done such exercises for other international airlines like British Airways, Singapore Airlines and Garuda.

IMPROVED MANAGEMENT

The new visage will, presumably, enable the airline to drum up better business, but the better results of 1988-89 have less to do with cosmetics than improved financial management. During the year, Air-India managed to save around Rs 40 crores by running a tight ship. In what was the first-ever cross-border lease financing by an Indian company, the carrier saved Rs 13 crores in acquiring its first Combi aircraft; the rationalisation of the fuel policy enabled the airline to buy fuel at international rates in India, saving another Rs 15-19 crores. The rescheduling of all loans and the abolition of 150 superfluous posts worldwide netted savings of Rs 9 crores.

The real coup was on the personnel front. Only as recently as in October-November 1988, Air-India pilots and maintenance engineers were flexing their muscles and launching agitations which resulted in the cancellation of a number of flights and eroded customer confidence. This time around, the story is different. Long unresolved issues with the pilots' guild and maintenance engineers have been thrashed out and the management has been able to push through two long-term agreements with them. According to Jetley, these will allow for more flexibility and facilitate the smooth introduction of new routes, additional aircraft and fresh marketing strategies without resorting to nit-picking arguments with employees everytime a new plan is thought of. "These agreements will also help restore and enhance motivation levels and instil a sense of belonging among staffers," says Jetley.



Meanwhile, Air-India will not be resting on its laurels. Future plans include a major effort to increase capacity. The airline's board is mulling over a proposal to augment the fleet and has targeted an annual growth rate of 6% to 8% in capacity during the eighth plan. Says Jetley: "We'd like to acquire 12 to 14 aircraft before 1995." Thereafter, the 747s will be phased out, replaced by new aircraft with similar capacities. Two of the old jumbos will be converted to freighters.

New routes and more flights are also being mapped out. Among them: a whizzer to Chicago, more flights to Japan and the Gulf, as well as a new one to Baghdad. A flight to Iran has already been flagged off. On the home front, efforts are on to delink Bombay and Delhi so that both operate as independent bases, saving cost and time.

Air-India has budgeted for profits of Rs 23 crores next year (1989-90) after providing for higher depreciation in operating two Combis for a full year. But it won't be a cakewalk. Competition in the international aviation business has hotted up and several Southeast Asian carriers are beginning to call the shots, particularly in the top segment of air travel. Jetley, for his part, is unfazed. "We are ready for takeoff," he says.

High time.

■ *Sanjoy Narayan*

Rajan Jetley, A-I's high-flying managing director, has turned the airline around. And now he plans to give it a spanking new look

SIEMENS

Bypass the Bypass

Medical Engineering in Siemens comes from the heart. Siemens Bi-plane Cardio-angiography unit can now remove blockages in the heart without surgery by Angioplasty. This procedure has reduced the number of Bypass operations considerably. By-passing the Bypass, the patient can be relieved of major surgery.

Cardio-angiography using the BI-ANGIOSKOP



High technology with a human face. Whether it is control and automation systems or railway signalling equipment, medical electronics, switchgear, switchboards, drives, motors or new dimensions in telecommunications, Siemens focusses technology on human problems, human needs. Its close association with Siemens AG, W. Germany, helps keep Siemens in India in the frontline of international technology. With 120 years of experience in the country, Siemens is committed to India's progress and shares its hopes for the future.

As technology changes the face of the future, Siemens will be one of the foremost companies helping India keep pace with the world.

Siemens Ltd.,
P.O. Box 6597,
Bombay 400 018

Siemens. Where international technology meets human needs.

LINTAS SM 160 2739

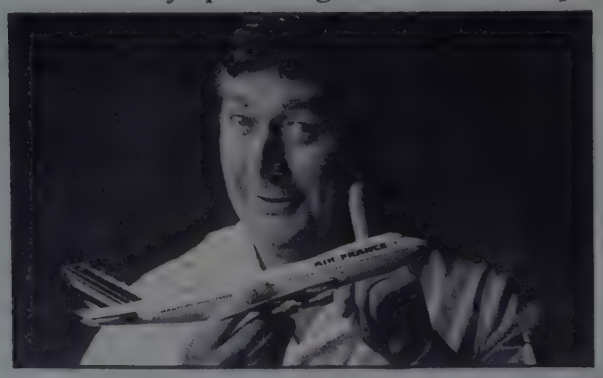


THE FINE ART OF FLYING
by Bradley.



Joyride by Martin Bradley. In capturing the spirit of our nonstop flights to Bangkok, Tokyo, Rio and Los Angeles, the painting by British born Bradley, projects not only a sense of happiness, but also feelings of certitude and pride in his technique. And at Air France we have the same feelings every time you fly with us.

Technically speaking, I care nonstop.



THE FINE ART OF FLYING

AIR FRANCE

6, Scindia House, Janpath, New Delhi 110 001 Phone: 3312853

Maker Chamber VI, First Floor, 220, Nariman Point, Bombay 400 021 Phone: 2024818

graphisads/710

WAHI'S WINNING WAYS

Nothing succeeds like success, as they say. The adage makes sense if one looks at the contemporary track record of India's most prominent supermega-corp, the Oil & Natural Gas Commission (ONGC), and its dapper golf-enthusiast chairman Col. S.P. Wahi (60).

Riding the proverbial crest with panache, ONGC has clocked in a turnover of Rs 7,268 crores and a merry pre-tax profit of Rs 2,304 crores for 1988-89. Production figures — 29.6 million tonnes (mt) of crude oil and 6.7 billion cubic metres of gas — exceed plan targets. Although no dramatic hydrocarbon strikes were reported last year, the 18 new finds helped India's recoverable reserves of oil and oeg (oil equivalent of gas) to peak at 1,231 mt currently.

Exults Wahi: "This has been a remarkably productive year for us. In almost every area of operation, we have performed with remarked efficiency, met targets and achieved growth with stability and continuous improvement in productivity."

ONGC's amazing eight-year financial and production track record in the Wahi era might well be the stuff of which corporate legends are made. But sadly, it is not so much admiration for its achievements which tends to keep ONGC in the limelight. Rather, it arouses and sustains public interest largely because the commission — which is governed by its own statute (the ONGC Act, 1959) — happens to be one of the country's biggest importers of hardware and awarder of contracts (seventh plan outlay: Rs 12,000 crores).

LARGESSE DISPENSER

It stands to reason that those with an eye on percentages and cuts cast covetous eyes at what they see as a public sector dispenser of largesse. Last year's Sumitomo-Suri scandal typifies this.

Both admirers and detractors of Wahi — and there are plenty in either camp — acknowledge the fact that the redoubtable colonel has emerged as one of the titans in the public sector. Somewhat paradoxically, the consensus is that this is not wholly owing to the track record of growth that he has impresarioed, but also because of his masterly handling of what is euphemistically described as the 'external environment.' Not only has Wahi kept the covetous-eyed tribe at bay — by and large — but he has done so with such finesse that he has earned a Padma Bhushan in the process.

Wahi modestly disclaims knowledge of any magic formula for delivering promises. "I



WAHI FOUGHT FOR HIS TURF — AND WON

am a great believer in systems," he says, adding that one of the lasting lessons he learnt early enough in his army days was to respect method — sticking to well-planned systems. As such, there is hardly any ad hocism in ONGC these days, he explains, with powers decentralised and delegated down the line.

(Not surprisingly, duly institutionalised systems have helped redeem his professional reputation when times have turned sticky. For instance, thanks to the decentralised sanctioning setup, the infamous Sumitomo purchase order file had never come for approval to Wahi at all. The controversy left him entirely unscathed.)

The setting up of systems apart, Wahi has successfully pushed through another measure which has helped in no mean way to up managerial morale. By an unwritten yet systematically enforced rule, appointments to the post of commission member are now being made by promotion from within. It speaks volumes of Wahi's persuasive power that he has been able to wrest arbitrary discretionary powers away from his ministerial superiors. At one stroke, this has cut out the chances of manipulation, nepotism and favouritism. Even if a high-flier does not make it to the boardroom, he has the consola-

In over 8 years at the helm, ONGC chief S.P. Wahi has not only insulated his organisation from external interference, but has also wrested for it a great degree of real autonomy

tion of losing out to a better performing colleague and not to a nominated outsider.

Last year, Wahi almost singlehandedly fought the battle to have this logic extended to cover the chairman's post as well. Needless to say, he had his way: the post of vice-chairman was created. (It was already provided for in the statute, making Wahi's case easier.) Sitting member P.K. Chandra (52), an expert geologist, was promoted to this post,

AN ONGC OIL WELL PLATFORM



although he was not the seniormost among the serving members — a real-life example of how Wahi puts the theory of meritocracy into practice.

Like his private sector confrere Russi Mody, Wahi is a man manager *par excellence* who makes no bones of the fact that he is a staunch Theory Y protagonist: "The quality of the machines, technology, systems and procedures are no doubt important. But what is even more important is the quality of the man behind these machines, his motivation and morale." Only recently, across-the-board wage hikes were ordained for ONGC's 43,000-odd staff whose working conditions are already markedly superior to those in other public sector undertakings. Wahi dismisses any criticism on this score with a wave of his hand: "Our boys deserve it. Look at the profits they have earned."

And he legitimately points out that these profits have flowed in although the administered price of crude (Rs 1,382 per tonne inclusive of cess and royalty) has seen no hikes since 1981. Of course, administered prices of downstream petroleum products have been frequently hiked — the incremental earning being gobbled up by the government's ravenous maw. A commission member lays it down straight: "If ONGC's profitability level is high, it is in spite of and not because of the administered crude price."

TAKING ADVANTAGE

The government takes blatant advantage of ONGC's high credit rating in many ways. For example, it is scarcely a secret that overseas bank loans raised in ONGC's name on the strength of its financial wellbeing are actually passed on to the government for use elsewhere. ONGC is uncharitably left to foot the interest costs, which predictably add up to a pretty penny (in 1988-89: Rs 463 crores).

However, these "sacrifices" in the cause of enlightened national self-interest fail to impress critics who aver that not all the hype-laden tomtomming of ONGC's "achievements" can hide the fact that self-sufficiency in crude oil is turning out to be a gradually receding hope for India. In 1988-89, the country's self-sufficiency index slipped to around 65% from 72% three years ago. By 2004-5, given present trends, the figure will fall further to 58% — notwithstanding outlays of the likely order of Rs 35,000-40,000 crores in the eighth and ninth plans. "So much money down the drain" : so runs these critics' refrain.

"Nonsense," counters Wahi. "Self-sufficiency is a relative and not an absolute term. To start with, it is deeply related to demand management. Also, the emergence of more substitutes for oil and gas, the usage of gas as an alternative fuel and the introduc-

tion of other measures to increase fuel efficiency would contribute to the reaching of this goal."

BRIGHT PROSPECTS

He adds that prospects of crude oil self-sufficiency in India by 2004-5 are bright, even though the demand level of 132 mt in that year is ostensibly beyond reach. Here's how: according to the integrated energy plan projections for 1990-2005 drawn up by a conceptual planning group of the K.D. Malaviya Institute of Petroleum Exploration, Dehra Doon, this demand level can be 'managed' in two ways. By substituting gas for oil, savings in crude of up to 32% can be made. Another 14% can be saved through energy conservation measures. If these curtailments in demand can be made to occur, the overall demand level for 2004-5 could be brought down to 79 mt — which compares well with the projected crude production aggregate of 77 mt in that year.

Can ONGC deliver the goods? Wahi's affirmative answer is conditional upon a very big 'if' factor. The commission must be given more autonomy, he pleads, so that plans can be executed at a faster pace and project cost escalations caused by red-tapism in the governmental machinery can be avoided. Recently, in inimitable style, he gave his now famous "suggestion" to the Planning Commission: "Free us out of your plans."

According to Wahi, ONGC's own targets and budgets are respectively ambitious and tight; therefore, timely completion at every step is crucial for overall achievement. The last thing that ONGC's technocrats want to stomach is backseat driving by bureaucrats and politicians. The commission recently signed a memorandum of understanding under which it gets a degree of operational autonomy in return for fulfilling certain predetermined targets. But Wahi considers this at best a half-loaf and has asked for more. And now, after intensive persuasive efforts — and Wahi can be quite a nag when it comes to driving a point home — the Union government has finally bent itself to "actively consider" a revolutionary proposal which will in effect provide ONGC with a hotline to the cabinet.

ENHANCED POWERS

The idea is essentially simple. A five-man empowered committee — on which will sit the secretaries in the ministries of petroleum, economic affairs, expenditure and planning as well as the ONGC chairman — will be invested with full financial powers for all investment proposals beyond the powers of ONGC. This committee will transmit its green signal directly to the cabinet committee on economic affairs for its approval and clearance. Under the proposed arrangement, as a corollary, ONGC will be given enhanced powers for new investments, replacements and renewals, charter hire, procurement and foreign exchange release.



WAHI WITH ANOINTED SUCCESSOR P.K. CHANDRA

If Wahi can see this proposal through in the next few months, it will be his finest hour yet. Whatever its fate, Wahi exudes self-confidence: "I believe we are performing our duty by throwing up new ideas and initiatives. Suffice it to say that instead of the initiative in the hydrocarbons sector being with the government today, it is ONGC which advises the government on what ought to be done."

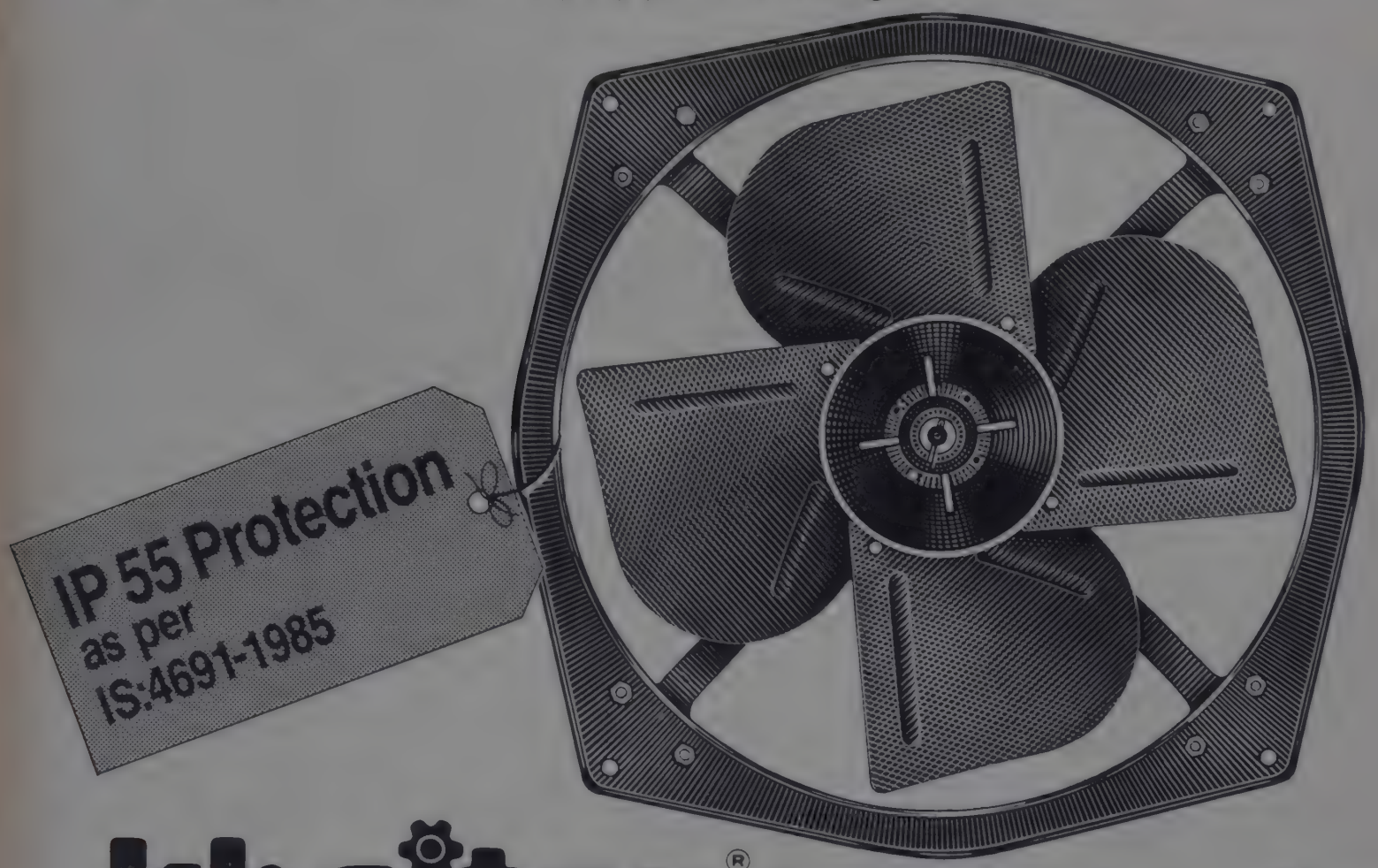
Come November, and Wahi will finally retire after a twice-extended term which has seen him occupy perhaps the most glamorous office in the public sector for over eight years. Incumbent vice-chairman P.K. Chandra will succeed him. "I am a most contented man," declares Wahi. So well he might be, given that contentment is a natural concomitant of success.

■ *Sujoy Gupta*

Despite many achievements, ONGC does face a lot of flak. One reason for this is the fact that self-sufficiency in oil is a receding hope. From 65% self-sufficiency now, it could fall to 58% in the next 15 years

100% Water-proof
100% Dust-proof
100% Khaitan

Khaitan Industrial Exhaust Fans with IP 55 protection. Hence, completely water-proof and dust-proof in outdoor and hazardous atmospheric conditions. Also rust-proof because of epoxy powder coating.



khaitan® India's largest selling exhaust fan–naturally

For more information, please write to :

khaitan (India) Limited

- Mahakant Complex, Ashram Road, **AHMEDABAD** 380 006, Ph: 40 2759
- 142 R.V. Road, V.V. Puram.**BANGALORE** 560 004 Ph: 60 9526
- "Vikas", 11 Bank Street, **BOMBAY** 400 023 Ph: 286 0065
- 46C Jawaharlal Nehru Road, **CALCUTTA** 700 071 Ph: 44 8391
- Matajee Shopping Centre, 1 Wallers Lane, **MADRAS** 600 002, Ph: 56 8181
- 3834/XI, Pataudi House Road, Daryagung, **NEW DELHI** 110 002 Ph: 73 0339

CLARION C-KHIE-24 R

20TH CENTURY

PERFORMING WELL

There are good tidings for the shareholders of 20th Century Finance Corporation Ltd. The company, engaged in various kinds of financing activities, is doing quite well in the current year ending 31 March 1990. Dividend is likely to be raised by at least 3% from the 22% paid for the previous year.

The company is making good progress in all its divisions including consumer finance leasing and hire purchase. As of April 1989, 20th Century had on hand signed lease and industrial hire purchase contracts aggregating Rs 16 crores. The asset deliveries for these will be effected in the current year. Moreover, the company has entered into fresh lease contracts worth around Rs 9 crores in the first two months. Similarly, in consumer financing, the company has so far secured contracts worth Rs 9 crores in the current year.

If the current trends are any guide, the total income for the whole year is expected to reach Rs 35 crores with a corresponding improvement in profitability. The management will thus have no difficulty in stepping up the dividend.

MANGALAM CEMENTS

HARD TIMES AHEAD

The current year's (1 April 1989 to 31 March 1990) prospects for Mangalam Cements Ltd., a B.K. Birla group cement company, appear dim.

The government's removal of all controls on price and distribution of cement has led to a glut in the market. This has kept prices somewhat depressed. At the same time, the cost of production has been going up. The hike in the price of coal and railway freight will continue to squeeze profit margins.

In these circumstances, even though the company's turnover may cross the Rs 50-crore mark this year as compared to Rs 48.78 crores achieved last year, the gross profit is likely to register a moderate drop from Rs 6.87 crores last year. This may create problems for the management as far as maintaining dividend is concerned.

E MERCK

ON THE EXPANSION TRAIL

The outlook for E. Merck (India) Ltd., the Indian associate of E. Merck Darmstadt of West Germany, a multinational pharmaceutical company, seems highly promising. Its turnover has doubled during the past five years to over Rs 50 crores.

In the wake of the Indianisation of the company and the liberalised licensing policies of the government, the management has chalked out plans to expand production capacities and introduce new products in both the pharmaceutical and chemical divisions. The first phase of its pharma expansion in Goa will be completed this year. The company is also expanding its diagnostics range of products.

All these plans are expected to give a boost to the company's sales and profits. Turnover during the first five months (January to May 1989) of the current year is 27% more as compared to that in the corresponding period last year. Total turnover for the whole of 1989 could well exceed Rs 65 crores.

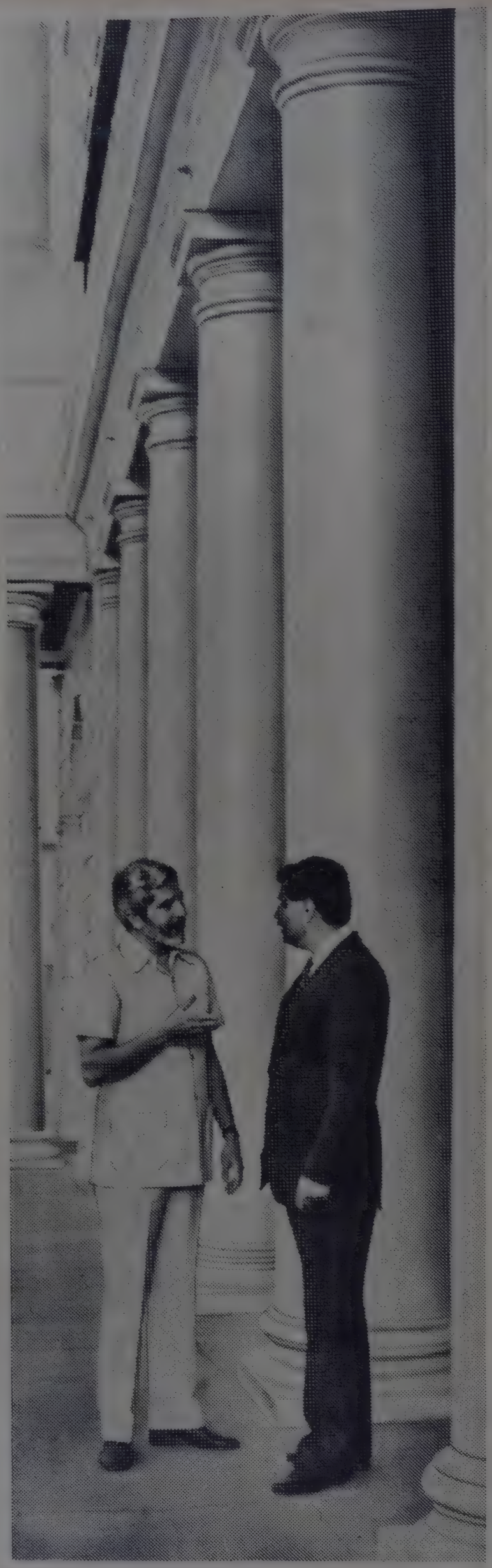
Companies this fortnight

(Rs crores)

	E. Merck (year ending December)			Mangalam Cement (year ending March)			20th Century (year ending March)		
	1986	1987	1988	1986	1987	1989*	1986	1988**	1989
Sales	38.85	40.48	51.31	34.44	30.57	48.78	17.70	28.63	26.36
Gross profit	3.12	2.51	3.86	4.04	3.84	6.87	11.83	18.80	16.69
Paid-up capital	4.45	5.94	5.94	7.11	7.11	7.11	6.34	6.34	8.88
Reserves	2.84	5.04	5.87	10.38	10.99	11.20	10.86	11.28	12.26
Gross fixed assets	12.59	15.29	16.13	29.57	29.95	30.10	71.11	88.73	108.61
Dividend (%)	15.00	16.00	20.00	15.00	15.00	22.50	27.00	36.00	22.00
Earnings per share (Rs)	3.75	2.22	3.35	1.37	2.32	2.03	5.98	5.90	4.00
Paid-up value (Rs)	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Market price as on 2 June 1989 (Rs)			81.00			26.00			22.50

* For a period of 15 months
** For a period of 16 months

"TWO YEARS AGO
I GOT RIGHTS SHARES
FROM JCT
AT RS 30 PER SHARE.*
TODAY, THE SAME SHARE
IS WORTH RS 130.**
AMAZING, ISN'T IT?"



* The conversion price of the party Convertible Debenture

** This refers to the Company s share price on 26 4 89

The Thapar Group

QUALITY RESULTS IN LEADERSHIP. AT JCT, THIS HAS LED TO BOUNDLESS GROWTH.

If you subscribed to your Rights Shares from JCT in 1987 your shares have increased over four times in value in only two years Behind this is a track record of productivity, profitability and boundless growth

Growth in productivity : The [illegible] filament yarn plants and textile operations are spinning out profits for you with a judicious blend of popular [illegible] Presently, the addition of more ultra modern Sulzer looms will see productivity and profitability rise to even greater heights

Growth in financial performance : Compare JCT Limited's performance in 1982 to the period ended October '88

Turnover has shot up from Rs 55 2 crores to Rs. 279 4 crores

Net fixed assets have grown from Rs. 40 6 crores to Rs. 115 6 crores

Profits have increased sharply from Rs 2 9 crores to Rs 8.3 crores

Net worth has grown from Rs. 13 7 crores to Rs 72.5 crores

And reserves have swelled to Rs. 61.3 crores against an equity of only Rs. 9.5 crores

Growth in new products : JCT's Nylon filament yarn plant is making news in India. With demand firming up, sales are touching record levels. Plans have been finalised to increase capacity in speciality yarns by a profitable 1000 tons per annum

Growth in high technology areas : JCT Electronics is one of India's star, high-tech performers With a capacity utilisation of 112% and export orders worth Rs 60 crores, the turnover for the first full year of production is expected to be Rs. 160 crores

Meanwhile, production has commenced at JCT Fibres Th[illegible] Rs. 120 crore project with the world leader Zimmer AG of West Germany is a classic example of strategic diversification One that will also produce value added speciality fibres some of them for the first time in India

Growth in technology : JCT is associated with world leaders in every area of business Hitachi the world's No. 1 in color picture tubes Buckbee Mears, the world s No 1 in shadow masks Zimmer AG, world famous for its man-made fibre technology

Growth in opportunity : Now you can take a larger share of this tremendous growth with your Rights And if you are not a JCT Shareholder this is an excellent opportunity to be part of a Company that is now In The Era Of Super Growth

ISSUE OF 1,26,00,000 EQUITY SHARES OF RS. 10/- EACH FOR CASH AT A PREMIUM OF RS. 30/- PER SHARE, AGGREGATING RS. 50,40,00,000.

RIGHTS OF 94,80,899 EQUITY SHARES, AGGREGATING RS. 37,92,35,960.
PUBLIC ISSUE OF 31,19,101 EQUITY SHARES, AGGREGATING RS. 12,47,64,040.

RIGHTS ISSUE OPENS 27 JUNE 1989 • PUBLIC ISSUE OPENS 27 JUNE 1989 • RIGHTS ISSUE CLOSES 26 JULY 1989

JCT LIMITED

IN THE ERA OF SUPER GROWTH

LEAD MANAGERS TO THE ISSUE

[illegible] New Delhi
HongkongBank Merchant Banking Division New Delhi
DSP Financial Consultants Ltd. Merchant Banking Division New Delhi
Industrial Finance Corporation of India

MANAGERS TO THE ISSUE

PNB CAPITAL SERVICES LIMITED New Delhi
BOB FISCAL SERVICES LTD New Delhi
State Bank of Patiala Merchant Banking Division New Delhi
CANBANK [illegible] New Delhi
CITIBANK
Punjab & Sind Bank Merchant Banking Division New Delhi
ALLAHABAD BANK
Grindlays Bank
ANZ

ADVISORS TO THE ISSUE

Mackertich Consultancy Services (P) Ltd Calcutta



Indarc FERROWELD
It moves in high places.

Some of the country's most prestigious Companies choose Ferroweld Low Hydrogen Electrodes from IOL. For several reasons:

In-built Strengths

Ferroweld is specially designed for ensuring optimum deoxidation level. It means superior tensile and impact values in all welding positions and under varying current conditions.

The stick to stick quality assurance of this electrode guarantees controlled hydrogen content.

An excellent welding performance gives uniform beads and an easily detachable slag.

All electrodes are code-printed.

A Versatile Family

Ferroweld electrodes are now available in a wide range to meet the needs of a wide range of industries in a variety of service conditions. Some of the application areas are:

Mild and medium carbon steels	:	Ferroweld-1, Ferroweld-2, Ferroweld-2 (Special)
Low alloy high tensile steels	:	Ferroweld 7018 G, Ferroweld 8018 G, Ferroweld 11018 G
Cryogenic applications	:	Ferroweld 8018 C1, Ferroweld 8018 C3, Ferroweld 9018 M, Ferroweld 11018 M
Creep resisting applications	:	Ferroweld 7018 A1, Ferroweld 8018 B2, Ferroweld 9018 B3
Welding corten steel to corten steel	:	Ferroweld W

Chosen by Connoisseurs

Ferroweld enjoys the endorsement of leading national and international agencies and project authorities such as BIS, Indian Register of Shipping, American Bureau of Shipping, Lloyds Register of Shipping, National Thermal Power Corporation and many others.

Doesn't your Company deserve the Ferroweld Range as well?

IOL Indian Oxygen Limited

A member of The BOC Group

P-43 Taratala Road Calcutta 700 088

CLARION C-IOX-FW-1

INDIA FOILS

GOOD RESULTS

India Foils Ltd. (IFL), the leading aluminium foil manufacturer, has turned out good results for the 15 month period ended 31 March 1989. Sales reached Rs 112.10 crores, a substantial increase over the Rs 104.94 crores notched up in the previous 18-month accounting period. The company notched up a gross profit of Rs 10.10 crores (Rs 7.92 crores). Net profit was Rs 2.70 crores (Rs 3.15 crores). The board has recommended a final dividend of 15% which takes the total dividend to 30% for the 15-month period.

The encouraging performance was despite an acute shortage of aluminium ingots in the country resulting in disruption of foilstock production by Light Metal Industries Ltd. (the joint sector company promoted by IFL) — a major basic raw material supplier for the company. Moreover, the company had to absorb cost increases of raw materials to the tune of Rs 3 crores during the period which were not passed on to the customers.

The company's exports during the period were 1,715 metric tonnes as compared to 586 metric tonnes in the previous period. The export turnover was Rs 9.16 crores (Rs 3.23 crores).

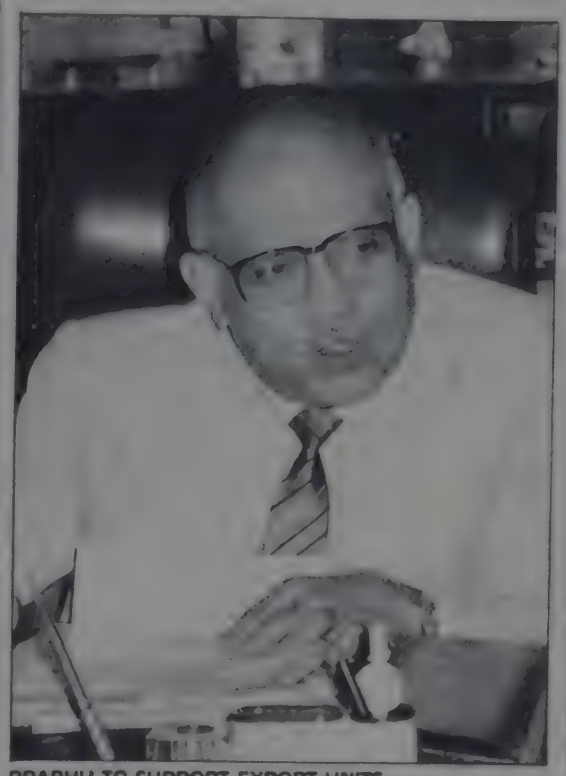
IFL has embarked on a Rs 30 crore modernisation programme. It has upgraded all its rolling mills and intends to shortly import a rolling mill which can roll wider width coil and reduce process scrap. The company has entered into a technical collaboration with Pechiney Aluminium Engineering, France, to manufacture rolled products of internaticnal quality.

INDAL

INCOME SKYROCKETS

Indian Aluminium Co. Ltd. (Indal), has fared better for the 15-months ended 31 March 1989. Sales stood at Rs 446 crores — a 30% rise when annualised over the previous 12 months. Net income skyrocketed from Rs 4.6 crores in 1987 to Rs 27.7 crores — a 382% rise on an annualised basis. The board has recommended a dividend of 20.5% which includes a half-percentage point to commemorate the company's golden jubilee year. Exports during the year rose by 100% in value to Rs 39.9 crores.

The company's Rs 12.2 crore printed circuit board project in Karnataka has been commissioned in March this year. Its joint sector project, Orissa Extrusions Ltd., has also gone into commercial production.



PRABHU TO SUPPORT EXPORT UNITS

CANARA BANK

HELPING SICK UNITS

Canara Bank has been nominated by the Board of Industrial & Financial Reconstruction (BIFR) as an operating agency for preparing rehabilitation schemes for sick units. Canara Bank has also been selected for implementing the second phase of a World Bank project for assisting select medium and small-scale industries with export potential, according to chairman and managing director N.D. Prabhu.

In the 15-month period ending March 1989, total global deposits rose to Rs 9.341 crores and owned funds to Rs 344 crores. The increase in reserves by Rs 95 crores to over Rs 295 crores was the highest among public sector banks. Total advances rose 24.5% to Rs 5.802 crores and the net credit increase of 25.6% compared favourably with the 24% recorded by other public sector banks in the same period. Likewise, the foreign exchange business turnover of Rs 7.272 crores was a distinct improvement on the figure of Rs 4.002 crores for 1987. The net profit for the 15-month period was Rs 54.94 crores.

SOL PHARMACEUTICALS

TURNOVER RISES

SOL Pharmaceuticals Ltd. has recorded a turnover of Rs 12.81 crores in the nine months ended 31 March 1989 as against Rs 13.29 crores in the 12 months ended 30 June 1989 — a 30% increase on an annualised basis.

The company earned a profit of Rs 78.54 lakhs (Rs 65.65 lakhs) before tax and depreciation. After providing for depreciation and tax, net profit rose to Rs 56.97 lakhs (Rs 49.28 lakhs).

SPARTEK CERAMICS

IMPROVED PERFORMANCE

Spartek Ceramics India Ltd. (SCIL) is making a pile from tiles if its latest financial results are any indication. For the nine-month period ended 31 March 1989, net sales increased to Rs 10.37 crores from Rs 7.78 crores in the corresponding period of the previous year. The company notched up a gross profit of Rs 3.82 crores (Rs 2.99 crores). With depreciation accounting for Rs 1.3 crores and tax for Rs 37 lakhs, the company earned a net profit of Rs 2.15 crores (Rs 1.73 crores).

SCIL plans to come up with a range of new textures and colours for floor tiles. The company's emphasis on high visibility advertising has been one of the key factors in higher turnover

AMINES & PLASTICIZERS LIMITED

NOTICE

It is hereby notified for the information of the public that AMINES & PLASTICIZERS LIMITED proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi, under sub-Section (4) of Section 23 of the Monopolies and Restrictive Trade Practices Act, 1969, for approval to the acquisition of 5,00,000 equity shares of Rs. 10 - each each of EAP Industries Limited [formerly East Anglia Plastics (India) Limited].

Brief particulars of the proposal are as under:

1. Name and address of the applicant : **AMINES & PLASTICIZERS LIMITED**
   Regd. Office : Noonmati, Guwahati-781020 (Assam)
   Central Office : 6, Old Post Office Street
   Calcutta-700001

2. Name and address of the undertaking the whole or part of which is proposed to be taken over and the manner of take over i.e. by acquisition of shares, acquisition of control or management, whether by the acquisition of ownership of the undertaking or under any mortgage, lease or licence or under any agreement or other arrangement. : It is proposed to invest in 5,00,000 equity shares of Rs. 10 - each of EAP Industries Limited, 145, Jessore Road, Calcutta-700089.

3. Management structure of the applicant : The applicant company is managed by the Managing Director subject to the superintendence, direction and control of the Board of Directors comprising the following Directors:

   Shri B. Himatsingka (Chairman)
   Shri S. S. Kanoria
   Shri Raghu Raj
   Shri P. S. Vaidya
   Shri K. K. Seksaria
   Dr. P. H. Vaidya (ICICI Nominee)
   Shri Dipak Himatsingka (Managing Director)

4. Capital structure of
   (a) the applicant : **Share Capital**

	Rs.
a) **Authorised:**	
50,00,000 Equity shares of Rs. 10/- each	5,00,00,000
50,000 11% Redeemable Cumulative Preference Shares of Rs. 100/- each	50,00,000
	5,50,00,000
b) **Subscribed & Paid up:**	Rs.
24,00,000 Equity shares of Rs. 10/- each fully paid up	2,40,00,000
Less: Calls in arrears	2,799
	2,39,97,201
20,000 11% Redeemable Cumulative Preference Shares of Rs. 100/- each fully paid up	20,00,000
	2,59,97,201

   (b) the undertaking proposed to be taken over : **Share Capital:**

a) **Authorised:**	
1,00,000 9.5% Redeemable Cumulative Preference Shares of Rs. 100/ each	1,00,00,000
40,00,000 Equity Shares of Rs. 10/- each	4,00,00,000
	5,00,00,000
b) **Issued, Subscribed & Paid up**	
Issued:	
20,00,000 Equity Shares of Rs. 10/- each	2,00,00,000
Subscribed:	
18,51,261 Equity Shares of Rs. 10/- each fully called up	1,85,12,610
Less: Calls in arrears	67,410
	1,84,45,200

5. Line(s) of business of the undertaking which will or is likely to emerge as a result of the proposed take over. : No new line of business is likely to emerge as a result of the investment in shares of EAP Industries Limited.

6. Consideration for the take over : The applicant company will not pay any amount in cash to the investee company but as per the directives of the Board for Industrial and Financial Reconstruction to EAP Industries Limited, the investee company, shares are to be allotted to the applicant company against partial liquidation of the debts due to the applicant company by the investee company.

7. Scheme of finance indicating the source(s) of finance for the proposed take over. : Not applicable as the acquisition of shares will be made against partial liquidation of the amount due by the investee company.

Any person interested in the matter may make a representation to the Secretary, Department of Company Affairs, Government of India, Shatri Bhavan, Dr. Rajendra Prasad Road, New Delhi, within 14 days from the date of publication of this notice intimating his views on the proposal and indicating the nature of his interest therein.

For **AMINES & PLASTICIZERS LIMITED**
Dipak Himatsingka
MANAGING DIRECTOR

Dated this 23rd day of May, 1989

CANARA STEEL

PROFIT LEAPFROGS

Canara Steel Ltd. (CSL), a Manipal group company, has reported excellent results for the year ended 31 March 1989. Turnover has risen 53% to Rs 18.50 crores (Rs 12.09 crores in 1987-88), and gross profit climbed to Rs 100.66 lakhs (Rs 59.21 lakhs). Net profit leapfrogged 119.47% to Rs 52.54 lakhs. A 25% dividend (20% in 1987-88) has been proposed.

Production of ingots and castings during the year increased to 24,916 metric tonnes from 19,000 metric tonnes in 1987-88. The licensed capacity has been increased to 50,000 metric tonnes. According to CSL chairman Ramesh Pai, the company proposes to instal another furnace to raise melting capacity to 50,000-60,000 tonnes within the next 18-24 months. Installing a rolling mill costing Rs 8-10 crores is also being considered. The company has recently put up a continuous casting machine at a cost of Rs 1.5 crores. Currently, the product range includes torque steel for the construction sector and steel castings for sugar and cement machinery manufacturers.

FICOM ORGANICS

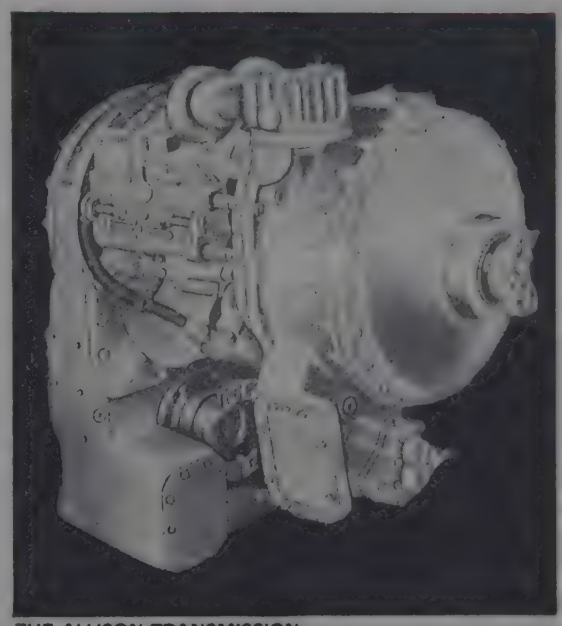
60% DIVIDEND

Ficom Organics has turned out an encouraging performance for the 18 months ended 31 March 1989. Turnover advanced to Rs 28 crores from Rs 13.25 crores in the previous 12 months — a 40% rise on an annualised basis. Gross profit has increased 11% (annualised) to Rs 4.93 crores, while net profit has risen by 13.3% (annualised) to Rs 3.70 crores. The company has cheered its shareholders with two interim dividends of 18% and 20% and a final dividend of 22% has been recommended. Total dividend thus works out to 60% compared to 30% in the previous 12-month period.

Ficom's plan to expand its capacity for the production of alkyl phenol to 10,000 tonnes per annum has been executed. The company has entered into a technical agreement with the National Chemical Laboratory, Pune, to manufacture D-phenyl glycine.

HINDUSTAN MOTORS

POWERFUL PLANS



THE ALLISON TRANSMISSION

The power products division of Hindustan Motors Ltd. (HML) will shortly take up manufacture of automatic transmissions for long-distance buses in technical collaboration with the Allison transmissions division of General Motors, USA.

The division currently produces the 5,000, 6,000 and 750 series of Allison transmissions in the 300-700 HP range which meets the entire domestic requirements. Over 65% of the current annual production of 500-550 transmissions go to Bharat Earth Movers Ltd., and the rest to the earthmoving equipment divisions of companies such as HML, ONGC, BHEL and Coal India Ltd.

Current production is still below the existing capacity of 700 transmission units per year. Partly to utilise existing capacity, the division is introducing this year three additional series of transmissions in the 150-250 HP range. These transmissions also find application in aircraft, towing tractors, forklifts and in underground mining.

NALCO

EXPANSION PLANS

National Aluminium Co. Ltd. (Nalco) has chalked up a Rs 1,240-crore expansion plan. It's proposal envisages expansion of its bauxite mine from 2.4 million tonnes (mt) to 3.6 mt, and its alumina refinery from 0.8 mt to 1 mt.

Besides, the aluminium smelter capacity will be raised from 2.18 lakh tonnes to 3.33 lakh tonnes. Similarly, to meet the power requirement of the smelter, expansion is envisaged for the company's 600 Mw captive power plant, which will go up to 960 Mw.

The proposal also envisages setting up of a 40,000 tonne capacity continuous strip caster with cold rolling facilities. On completion of the expansion plan, Nalco is confident of meeting as much as 60% of the country's aluminium requirement.

TCS

FLOGGING LOTUS PRODUCTS

Tata Consultancy Services (TCS) has been appointed sole distributor in India for products of the US-based Lotus Development Corporation, a leading developer of application software programmes for personal computers and information services. The Lotus PC product range includes: 1-2-3, Symphony, Freelance Plus, Graphwriter II, Agenda, Manuscript and Magellan.

According to Lotus' regional manager for India, John O'Hara, 50 dealers will be appointed initially from whom customers can buy officially supported Lotus software. TCS will offer expert advise on specific software solutions to Lotus customers. Also, a number of training centres would be established to provide end-users training as per Lotus standards.

asci

ADMINISTRATIVE STAFF COLLEGE OF INDIA

announces the following programmes

MANAGEMENT AUDIT
(August 14 to 19, 1989)

Seminar Director
Prof. KK Swaminath

Eligibility: Top and senior managers in industry, financial institutions and public systems — Financial Advisers, Chief Internal Auditors, Management Advisers, Chief — Management Services, Management Consultants, Chief Auditors, etc.

Last date for nomination
July 15, 1989

MARKETING MANAGEMENT
(August 14 to 26, 1989)

Programme Director
Dr. KR Rao

Eligibility: Senior/middle level executives in marketing function from Head/Regional/Branch Offices — Marketing Manager, Marketing Research Manager, Branch Manager, Sales Manager, etc.

Last date for nomination
July 15, 1989

TRAINING METHODS AND SKILLS
(August 21 to September 2, 1989)

Programme Director
Ms. Premila Verma

Eligibility: Trainers; Senior/Middle level Human Resource/Training executives involved in planning and conduct of Executive Development Programmes and Faculty from Training Institutes.

Last date for nomination
July 21, 1989

FINANCIAL CONTROL AND REPORTING SYSTEMS
(August 28 to September 2, 1989)

Course Director
Dr. Mohinder N Kaura

Eligibility: Senior Finance Managers in finance and accounting areas — Finance Directors, Financial Controllers, Budget Directors, General Managers (Finance), Chief Accountants, etc.

Last date for nomination
July 28, 1989

Organisational sponsorship is essential

For brochures, nomination form and fee particulars, please write to:

Programmes Officer
Administrative Staff College of India
Bella Vista, Hyderabad 500 049

Phone: 36952/56 Extn: 247;
Grams: BELLAVISTA;
Telex: HYD 0425-6390.

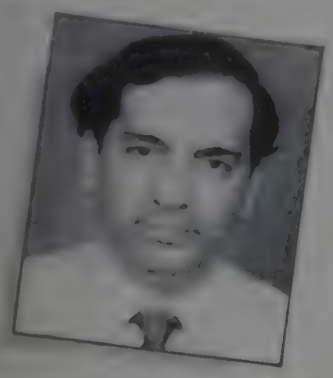
ASP/ASCI/8956

ASCI: The College for Practising Managers

COMPANY NEWS & EVENTS

AWARDED

■ **Sudhir Phadke**, imports manager, Johnson & Johnson, has been given a special award by the International Federation of Purchasing and Materials Management. The award is in



PHADKE'S EFFORTS BEAR FRUIT

recognition of his research on world purchasing journals.

Phadke, who is also chairman of the Bombay chapter of the Indian Institute of Materials Management, is the first Indian to receive this award.

HALF-YEARLY RESULTS

■ The turnover of **Siemens** during the six months ended 31 March 1989 was Rs 111.6 crores compared to Rs 92 crores during the corresponding period of the previous financial year, an increase of 21%.

Profit before tax was Rs 4.65 crores (Rs 4.38 crores). Profit after tax was Rs 2.45 crores (Rs 2.28 crores).

NEW SERVICES

■ The **Architects Publishing Corporation of India** has brought out the second edition of its annual publication, the *Directory of Interior Designers 1989*. It contains information on Indian interior designers, and is divided into four parts. The first part covers important projects designed by reputed architects and interior designers. The second one provides anthropomatical data useful for estimating space requirements for different human functions. While the third part has addresses of professional interior designers, the fourth one contains a list of manufacturers and dealers concerned with interior designing work. The price:Rs 100.

NEW PRODUCTS

■ **Hinditron Tektronix** is introducing its digital storage oscilloscopes six months ahead of schedule. This sophisticated product, which will complement its current two real-time oscilloscopes, has the ability to communicate with computers.

The company also plans to introduce 150, 300 and 400 MHz high-frequency real-time oscilloscopes.

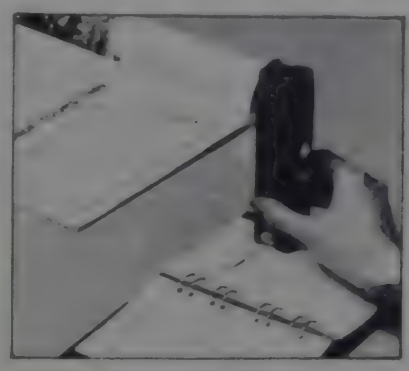
■ **Petrosil Oil Co. Ltd.**, maker of the Gulf brand of engine oils, has relaunched Petsil GMO engine oil in a new, redesigned pack. Petsil GMO is a premium multigrade engine oil which prevents wear and tear of moving parts, gives a quick start-up and improves fuel efficiency.

Petsil GMO is available in 5, 2.5 and 1-litre cans.



PETSIL GMO IN A NEW PACK

■ **Casio** of Japan, has introduced a new compact, pen-type personal copier which can be carried anywhere. The Casio CP-8 Handy Copy can be held like a pen, whisked over the original and then across a paper to print a copy. One end of



THE PEN-TYPE CASIO COPIER

the CP-8 contains a reader that picks up the image from the original. The other end has a built-in printer.

While being passed over the original, the CP-8 stores the images in its memory. And it can print any number of copies on papers of almost any thickness, size or type. Besides paper it can also print directly on acryl, vinyl, OHP sheets or virtually any smooth surface.

■ **Acumac**, a Bangalore-based small-scale unit turning out sophisticated machine tools and accessories, has introduced a mini milling machine which is priced far below an imported one. Acumac will also be shortly entering the hi-tech areas of CNC/CAD/CAM technology. The company, now celebrating its silver jubilee, claims to have been the first in India to develop and manufacture centre hole grinding machines, high-speed internal grinding spindles, and a radius and side dresser for HMT's cylindrical grinding machine. Its centre hole grinding machine is priced half the f.o.b. value of a comparable imported machine.

TIE-UP

■ **Rolta Computer & Industries Pvt. Ltd.** is entering into a technical tieup with Intergraph Corporation, USA, which is a *Fortune 500* company. This tieup will enable Rolta to manufacture state-of-the-art workstations and network file servers in India.

Rolta has been the sole distributor of Intergraph's hardware and software since 1986.

INAUGURATED

Indian Oxygen Ltd.'s (IOL) Rs 25 crore tonnage air separation plant at



ADIK INAUGURATES IOL'S PLANT

Tarapur was inaugurated late last month by the Maharashtra minister for industry and labour, Ramrao Adik.

HOUSING PERKS

Rent-free furnished accommodation has always been a prized perquisite for executives, specially in cities like Bombay, where a reasonably sized flat costs a fortune. Rule 3 of the Income Tax Rules, 1962, provides the formula for valuing perquisites.

For government and public sector employees, just 10% of the fair rental value is taken into account for calculating the perquisite value. For employees in the private sector, in addition to the 10%, the excess of fair rental value over 60% of the salary is taken into account if the property is situated in Bombay, Delhi, Calcutta and Madras, and 50% if the property is elsewhere.



The government should rationalise the law for valuing rent-free accommodation and place private sector employees on a par with public sector ones

The term "salary," defined for this purpose, includes basic pay, allowances, bonus or commission but not dearness allowance, unless it enters into the computation of superannuation or retirement benefits. But what happens if an employee gets salaries from more than one employer, but the rent-free accommodation is provided by only one of them?

This point was decided by the Bombay high court in *CIT v. Mohanlal Jalan* (1989, 43 *Taxman* 246). In this case, the assessee earned remuneration from two concerns, Prakash Cotton Mills Ltd. and Bharat Barrel & Drum Manufacturing Co. Ltd. The former had also provided him with free accommodation.

A question arose regarding the computation of the perquisite value of the free residence. The income tax officer (ITO) computed it at Rs 16,200. This figure was arrived at by deducting Rs 3,600 (the sum that is exempt under s.10(14) of the Income Tax Act, 1961) from Rs 19,800, being the rent paid by the employer for the flat.

The appellate assistant commissioner (AAC) discovered that the rent paid by Prakash Cotton Mills was Rs 15,900 and not Rs 19,800. He also found that roughly one-third of the premises was utilised by the assessee-company as its guest house. Since the residence was provided by Prakash Cotton Mills only, the AAC computed the perquisite value of the free residence at Rs 9,100.

He worked this out by taking the amount of rent payable by the employer in respect of the premises occupied by the assessee to be Rs 10,600 (two-thirds of Rs 15,900) and deducting therefrom a sum of Rs 1,500. This latter sum was arrived at by holding that the value of the perquisite in the hands of the assessee would be 12.5% of the salary from the particular employer, plus the excess over 37.5% of the said salary. In other words, he held that only 25% of the salary was exempt.

The tax tribunal accepted the assessee's contention that the value of the perquisite in respect of the rent-free residence was required to be computed in accordance with Rule 3 of the Income Tax Rules, 1962. Under the said rule, the term "salary" meant salary received by the employee from any number of employers and not merely the employer who provided the free residence. The tribunal, thus, held the perquisite value of the free residence at nil.

On appeal, the counsel for the revenue department contended before the Bombay high court that Rule 3(a), properly construed, would mean salary due to the assessee from the employer who provided free accommodation. Fairly admitting that the word "salary" was not qualified under Rule 3(a) in any manner, he said that it was a matter of common sense that while computing the value of the perquisite in respect of free residence provided by an employer, the salary paid by that employer alone would require to be considered.

The high court, however, held that the plain language of rule 3(a) did not support the department's interpretation.

Another very important question which needs to be considered is the connotation of fair rental value. An important decision on this point was that of the Supreme Court in the case of *Dewan Daulat Rai Kapoor v. New Delhi Municipal Committee* (122 *ITR* 700), where it was held that in cities where there are rent control laws in force, the landlord can recover only the standard rent. Therefore, the fair rental value in the eye of law can be no higher than that figure.

In this case, the Supreme Court held that even if the landlord was lawfully entitled to receive the contractual rent from the tenant, such contractual rent could not be taken to be the rateable value of the building. This was because the reasonable expectation of the landlord to receive rent from a hypothetical tenant could not possibly exceed the standard rent determinable in accordance with the provisions laid down in the Rent Act.

The Supreme Court, however, did not hold that the standard rent must still be taken to be the rateable value of the building if the actual rent receivable from the tenant was lower than the standard rent determinable in accordance with the principles laid down in the Rent Act.

Thus, in cities where there are rent control laws, the fair rental value would be the standard rent as can be assessed under the relevant rent control law.

It would be good if the government rationalises the law on rent-free accommodation. It is imperative that the discrimination against private sector employees be eliminated.

■ *H.P. Ranina*

The author is a Bombay-based advocate.

BUSINESS FEATURE

MONEYBAGS

He can raise several hundred crores at a wink. He dreams big, acts big, talks big. He is a man in a hurry to make his tryst with destiny. And to get there, he is willing to put his money where his mouth is.

No, he is not Dhirubhai Ambani. Besides, he is not yet there.

Meet Abhey Oswal, mega ambition personified, and chief of the Rs 300 crore turnover Oswal Agro group. Yesterday's nobody, today's somebody, and, perhaps, tomorrow's busybody. If he could, he would have emblazoned his name on anything in the corporate sector that's worth owning. So far, he has managed to do that only on the three companies he has floated and the two petrochemical plants he bought from Union Carbide and ICI India (formerly IEL). Many more are in the works, he assures everybody. What makes him run?

Primarily, the three S's: size, speed and status. Tune in to some Oswal-think.

Size. A trader turned agro-industrialist, Oswal realises that agro-industry is peanuts for a would-be super leaguer. That leads him to consider entry into fertilisers and petrochemicals, where investments are in hundreds of crores, not tens. Says Oswal: "The scope in agro-based industries is limited. A unit in this sector requires an investment of only Rs 40-50 crores. Which means more people can enter the field, increasing competition. How can I pay high dividends ... if I stick to competitive fields. (On the other hand) petrochemicals is still a virgin industry..." (see interview, p.64).

Speed. Ideally, Oswal would have liked to have arrived yesterday. Since he hasn't, he's opted for today, this instant. And that means buying companies to mark his entry into the big boys' club. When the Shriram family threw hints that their Kota fertiliser unit may be up for sale, Oswal was among the first to arrive brandishing a chequebook. When Union Carbide put its Chembur (Bombay) unit on the auction block, Oswal came up with pots of money to cart away the spoils. Ditto for ICI India's Rishra unit in West Bengal. And he has not stopped playing Mr Moneybags yet. The bids still current include a Rs 250 crore offer for ICI India's fertiliser unit near Kanpur, a Rs 50 crore one for Calico Mills' Ilac subsidiary, and Rs 20 crores for a petrochemicals plant owned by ICI plc abroad (see box, p.63). A greenfield possibility is the Shahjahanpur gas-based fertiliser project, currently a toss-up between Oswal and Kribhco.

Status. Oswal would like to be thought of as a doyen among investors, *a la* Ambani. That means keeping existing investors happy with lots of capital gains and high dividends. Which, in turn, means having lots of bankable projects or more acquisitions of existing business. And, of course, propping up his share prices when necessary. For that's the key to Oswal's ability to raise crores from the investor. Since 1982, when the first company went public (Oswal Agro), the group has entered the capital market 12 times, roughly twice a year on an average, and raised over Rs 500 crores in the aggregate. And if any of the fertiliser plans materialise, Oswal will be in the market again before the year is out.

From trader to agro-industrialist, Abhey Oswal has come a long way. And he has made pots of money, both for himself and his shareholders. But will his trader instincts serve him well as he makes a bid for the big league?



HONEYMOON OVER

Ironically, however, at the moment Oswal has more money than he can use, thanks to the Oswal Agro rights issue earlier this year which drew subscriptions in excess of Rs 400 crores. Agro weds petro, screamed the issue ads, heralding Oswal's proposed graduation from agro-industrialist to super-industrialist. It was a perfect marriage as far as he was concerned. But now, barely a few months later, the honeymoon seems to be over. Doubts are cropping up whether the marriage will produce a golden rainbow or an abortion. His takeover of the Chembur unit of Union Carbide has hit snags since the entire issue of the Bhopal gas leak compensation case is being looked at afresh. Besides, the Reserve Bank believes that the Chembur unit should have actually been valued at Rs 30 crores whereas Oswal has paid Rs 58.5 crores for it and is putting in an additional Rs 10 crores to bring it to working order.

As if this was not enough, Maharashtra chief minister Sharad Pawar announced at a press conference that Oswal would be allowed to operate the Chembur plant only under strict conditions so as to improve the safety factor. Besides, the state government seems inclined to refuse any major expansion in Chembur, queering the pitch for Oswal's move to build up a giant complex in Bombay. In sum, the investor's blue-eyed businessman is sitting on a pile of Rs 355 crores (the



OSWAL AGRO'S SUGAR MILL AT PHAGWARA

amount Oswal retains from the oversubscribed rights issue) with no immediate plans to utilise it.

But then, Oswal is unputdownable. Pile or no pile, this Ludhiana businessman is already thinking of ways to add to it. If all goes well this year, he may come out with a mega mega capital issue of Rs 1,000 crores. "If I get the clearance for the Shahjahanpur project, we may finance the entire project from public funds," he says. It is Shahjahanpur today, or the takeover of Ilac (a subsidiary of Calico Mills) tomorrow. For a man in a hurry, there is no time for regret for what might have been. And he is already on to something else. "Very soon, you will hear a major bit of news," he says secretively. Delve a little further, and the secret is out. "I am buying the fertiliser unit of ICI India." Never mind that ICI India may be a less than willing seller.

NEW DREAM

Fertiliser is the new dream for Oswal. Either ICI or Shahjahanpur will transform it into reality. But doesn't he already have enough on his plate? With three acquisitions (Chembur, Rishra and a sugar unit at Phagwara in Punjab bought from Jagatjit Sugar Mills), and three companies (Oswal Agro, Bindal Agro and Oswal Agro Furane) already under his belt, it may not seem so to many people. But Oswal is not one of them. With a big kitty, big looks beautiful to him.

To understand why Oswal wants to make it big in industry overnight, one has to take a look at his trading roots. When the ambitious Ludhiana-ite first walked into the glare of spotlight with a public issue in 1982, his top priority was to establish his credentials with investors quickly. It meant good profits, quick profits, to gain their confidence. A convenient solution was found in trading.

In the initial years, Oswal Agro's profits came from such activities. In 1984-85, profits from activities other than manufacturing — sale of assets, interest on deposits, etc. — were around Rs 12 crores, including Rs 10 crores from trading. His manufacturing activities actually incurred a loss, for the total profit before tax (PBT) for the year was Rs 2.58 crores. The same scenario was repeated in 1985-86. Though profits from trading were lower at Rs 7 crores, they were still higher than the PBT for the year (Rs 4.50 crores).

Some of the items Oswal traded in gave him fantastic returns, one of them being emergency lighting units (imported portable gensets). In 1984-85, these units were bought at an average price of Rs 4,000 each and sold at Rs 10,340. The profits went down in the next year, when the cost price per unit was Rs 6,500 and the selling price around Rs 8,400.

Oswal Agro executives, however, believe that this picture of profitability is distorted. Explains R.K. Singhania, finance director: "There are other costs involved — interest, cost of keeping inventories — which are not reflected in the calculation of profit based on cost price and selling price."

But whatever be the actual profit picture, one thing is undeniable: they held the clue to Oswal Agro's bottomline. Oswal himself justifies all his trading activities as unavoidable.

BHASIN HAS A NOTE OF CAUTION



"Being in an agro-based industry, you have no option but to trade. The timing of buying and selling raw materials is very important." However, the situation improved from 1986-87 and the manufacturing activities have started becoming viable.

DIVIDED OPINIONS

Since then, Oswal has been on his way to industrial stardom. Close watchers of the industry scene admit that many Indian entrepreneurs who started out as traders ended up winners in manufacturing, too. Ambani is a prime example. But there can be many a slip between the cup and the lip. "The crunch comes when you utilise the money (earned in trading) for manufacturing units," says Vijay Mehta, a Delhi broker. Obviously, if one has good projects, professional management and business acumen, one succeeds. Otherwise, one could end up losing one's shirt. Adds Mehta: "Chembur will finally decide the fate of Abhey. If he strikes gold there, he will be unstoppable."

Opinions are divided on where Oswal will end up. Some observers see him gaining maturity as an industrialist, one who recognises the importance of developing a professional management team. Says one merchant banker: "He is scouting around for people. Many persons have been offered fantastic salaries."

However, back home in Ludhiana, people are not so sure. Says one executive: "He has made his money on the call money market and speculation. Such deals are profitable, but for how long?" The implied conclusion: once a trader always a trader. Harish Bhasin, president of the Delhi stock exchange, doesn't agree. "How does it matter how he makes money? As long as he can do it and reward investors, the public will support him."

But Bhasin throws in a caution. "With the increase in Oswal Agro's equity capital to Rs 95 crores (i.e. after the rights issue is converted), it will be difficult to maintain returns to shareholders." More so since the credibility of some of the figures shown in the books has been open to question. "How come Oswal claims to have sold around 20,000 tonnes of soap in 1986-87 and 30,000 tonnes in the next year?" asks one doubting thomas. An Operations Research Group retail audit on soap sales suggested that the sales could not have

GROUP RESULTS

(Rs crores)

	Oswal Agro	Bindal Agro	Oswal Agro Furane
Year ended	June 1988	Dec. 1988	Dec. 1988
Turnover	190.10	106.38	15.10
Interest	6.60	3.91	1.27
Gross profit	19.41	8.51	1.22
Depreciation	2.77	0.99	0.69
Profit before tax	16.64	7.53	0.53

Source: Companies

been higher that 20,000 tonnes in 1987-88. Oswal's explanation: "We do a lot of jobs for outside parties. This is the way we utilise more capacity." And all this doesn't show up on the retail audit. Recently, the company obtained orders from Mysore Sales International Ltd. to make soaps on its behalf.

While few critics have doubts about Oswal the canny trader, some are not so sure about his business acumen when it comes to acquisitions. Take the purchase of the alcohol-based low density polyethylene (LDPE) unit at Rishra (West Bengal) from ICI India. The latter found no use for it because alcohol supplies from Uttar Pradesh were erratic, primarily due to the high pass fees imposed by the state government whenever it wanted to restrict the outflow of alcohol from the state. At the time Oswal bid for it, the plant had in fact been lying closed for months for want of alcohol. Says J.M. Charlton, finance director of ICI India: "At that time we had no option but to close."

Not that Oswal was unaware of the problem. His brainwave was to dismantle the plant, cart it to Noida (New Okhla Industrial Development Authority) inside alcohol-rich Uttar Pradesh, and then live happily ever after. And that was the scenario he painted for shareholders prior to the rights issue of Bindal Agro which was meant to finance the acquisition.

It was only after the issue closed that shareholders realised that the West Bengal government had refused to play ball. The state ordered the plant to be sold on an "as is where is" basis and Oswal was in trouble.

But good luck intervened. The Uttar Pradesh government reduced the duties on alcohol moving out of

THE ICI LINK

After close encounters of the takeover kind between Abhey Oswal and ICI India (formerly IEL Ltd.), relations are becoming even cosier. Having bought the Rishra (West Bengal) low density polyethylene (LDPE) unit, Oswal is planning an encore: he is thinking of buying an additional LDPE plant (based on the alcohol route), this time from the parent company, ICI plc.

And, to take the process even further, Oswal has been dropping not so subtle hints that he may buy off the Panki (near Kanpur) fertiliser unit of ICI India, for which a price of Rs 250 crores has been offered. Although Philip Daubeney, ICI India's managing director, denies any intention to sell, Oswal thinks otherwise. "We are talking directly to the parent company's chairman, Denys Henderson, who has shown a lot of interest," he says.

Quid pro quo. The deal, as disclosed by Oswal Agro insiders, is a *quid pro quo*. In return for the sale of the fertiliser unit, Oswal will opt for ICI technology in the Shahjahanpur (UP) fertiliser project, for which Oswal is a frontrunner. But here the doubts begin. For, there's no gainsaying that the Italian giant Snamprogetti has virtually sewed up the technology contracts for all the gas-based fertiliser projects, not least due to the clout it wields in the highest policy-making circles. So will the government allow Oswal to muscle in with ICI technology?

Yes, says Oswal. "In an election year, the government cannot show undue favour to the Italian company." Even if that's true, one can have doubts over whether ICI India will willingly hand over a major chunk of its existing business for cash. While Daubeney leaves no one in any doubt that a sea change in ICI India's operation is under way, he does not envisage major surgery in the existing business portfolio. "We are studying various options for the Kanpur fertiliser unit, but sale is surely not one of them. Also, we want to plan where the company has to be a few years in the future."

DAUBENEY DENIES IT ALL



Besides, it is highly unlikely that the parent company will do a deal behind its Indian subsidiary's back. John Edgar of the public relations department of ICI plc in London said as much when he told *BusinessWorld* that "the operations (of ICI India) are handled by the management there."

However, Oswal's claims need not be dismissed altogether. Merchant bankers contacted by this publication confirmed that there has been some talk of selling the fertiliser unit. According to them, the plan for modernising the unit was under threat because of the new depreciation and capacity utilisation norms announced by the government in January 1989. A senior ICI India executive admitted that the new policy had created problems, but added: "We will not sell the unit because of them."

Oswal may have a lot of convincing to do if he is to notch up another successful takeover.

the state in view of its improved availability and overnight the Rishra plant became viable again. But the reprieve could be shortlived. Says Charlton: "The duty on industrial alcohol is such a politically sensitive matter (in UP) that the grapes can turn sour again." The Union government's department of chemicals and petrochemicals apparently agrees with him. Its annual report remarks that "the cyclic availability of alcohol combined with periodical changes in the levy of excise duty renders the alcohol route for petrochemicals undependable."

The D.V. Kapur committee, which took a more integrated view of the emerging options in petrochemicals, went further and observed that "the plants of Union Carbide and IEL Ltd. (i.e. ICI India) are over 20 years old and have capacities too small to be economical by present day standards."

This brings into question the viability of Oswal's biggest acquisition so far. For starters, the Chembur plant of Union Carbide has been closed for so long that restarting it would require a great deal of money. Before he made his rights issue, Oswal was confident of reopening Chembur for business last April. Now D-Day has been put off till July. Admits Oswal Agro's finance director Singhania: "Restarting a closed chemical plant is beset with problems. After all pipes corrode, there are blockages and other problems."

Meanwhile, Oswal's cash pile, raised through the rights issue, is gathering dust, prompting a minor furore in Parliament. Sensing danger, officials in the finance ministry and the office of the controller of capital issues (CCI) have clammed up. The basic issue: how was Oswal allowed to come out with a Rs 355 crore issue (including the oversubscription he could retain) without any plans to utilise it?

A similar thing happened in the case of Bindal Agro's rights issue of Rs 46 crores last year. The money was to be used up for shifting the Rishra unit to Noida and restarting it. But when the West Bengal government said no, Oswal was left with an extra Rs 26 crores. Today he says that the extra money will be used to buy another plant to make LDPE. But that could just be another promise for a man whose track record shows that he promises more than he can deliv-

"I WI

40-year-old Abhey Oswal, chief of the Oswal Agro group, is an interviewer's delight. Where other people duck inconvenient questions, Oswal gives you a straight reply. Critics accuse him of indulging in tall talk; but Oswal possibly is merely irrepressible. In an exclusive interview to BusinessWorld, *he spoke on a wide range of topics — his plans, his failures, his mega ambitions. Excerpts:*

■ **On the allegation that most of his profits in earlier years came from trading activities.**

What is the harm in trading? In agro-based raw materials, speculation is very high. For example, sugar prices fluctuate every day by Rs 10 per bag. So, you have to be a smart trader to survive.

■ **On whether his transition from trading to manufacturing will be smooth.**

Why not? I have no interest burden. Our (i.e. Oswal Agro's) debt-equity ratio is the lowest among all good companies. All my funds come from the public. Interest and loans are cancer which eat away the profitability of any company. Without this liability, my companies can easily show a profit of 20% on turnover.

■ **On whether he has adequate expertise in manufacturing.**

How does it matter? Imagine there is a crisis in my flagship company (Oswal Agro). Suppose I make losses. I have Rs 400 crores in my share premium account and can pay 50% dividend on the increased capital (of Rs 95 crores) for eight years.

■ **On how he proposes to invest the cash mountain he has accumulated in the recent Oswal Agro rights issue (over Rs 350 crores).**

Earlier, we had proposed to spend Rs 80 crores on Chembur (in Bombay, where Union Carbide's petrochemicals unit, sold to Oswal, is located) to expand the low density polyethylene (LDPE) capacity to 32,000 tonnes. We were planning to invest the remaining amount in some new units in Jaigarh (Maharashtra).

(But now), the Maharashtra government has given Nocil permission to expand (its petrochemicals plant) in Bombay. Its application has been cleared on environmental grounds. We are also hopeful of getting the go-ahead for expansion in Chembur — increase the LDPE capacity from 20,000 tonnes to 60,000 tonnes (instead of just 32,000 tonnes) and correspondingly increase the ethylene capacity to 1 lakh tonnes. This major expansion and modernisation will cost around Rs 350 crores (roughly the amount he can retain from the Rs 400 crore subscriptions to his rights issue in January).

■ **On whether he paid too much for the Chembur unit (Rs 58.5 crores).**

It is a simple calculation. Reliance offered to pay Rs 30 crores in 1983. (According to the prospectus of Reliance Industries, it offered to pay Rs 15 crores, including the technical fee, to Union Carbide in 1983.) At that time the price of LDPE was Rs 14,000 per tonne while that of naphtha (the feedstock) was Rs 2,200 per tonne. Today, LDPE has gone up to Rs 30,000 per tonne and naphtha costs only Rs 3,200 per tonne. So, who is wrong? The experts or me?

Besides, Reliance Petrochemicals will take at least five years to set up its complex, while ours will be ready in three years with nearly the same capacities (if the proposed expansion at Chembur is cleared). Besides, we will be located in Bombay, where all infrastructural facilities are available.

■ **On the shift in his group's focus from agro-industry to petrochemicals.**

The scope in agro-based industries is limited. A unit in this sector requires an investment of only Rs 40-50 crores. Which means that more people can enter the field, increasing competition. How can I pay high dividends to my shareholders if I stick to competitive fields? Petrochemicals is still a virgin industry, with not many players.

...OW THE WORLD..."

Although a lot of entrepreneurs are planning to enter this field, we will be five years ahead of them.

■ On whether the refusal of the West Bengal government to allow him to shift the Rishra plant to Uttar Pradesh will affect the viability of the unit, which makes LDPE from alcohol.

No. If I had to shift the plant, it would have meant an extra expenditure of Rs 20 crores. It would have taken us two years to commission that unit. Now we can do it in six months and we save money on interest and infrastructure.

Besides, the pass fee on alcohol moving out of Uttar Pradesh has been reduced, since alcohol is surplus in that state. And I do not envisage a shortage of alcohol for the next five years. With an investment of just Rs 20 crores, therefore, the Rishra unit will make a profit of Rs 12 crores.

■ On what he proposes to do with the extra Rs 26 crores raised from the public during Bindal Agro's rights issue (mainly for shifting the Rishra unit to UP).

We are thinking of putting up one more LDPE plant in Rishra for another 10,000 tonnes. An ICI plant in Holland has been identified for this purpose. The plant will cost about Rs 20 crores.



■ On what he will do if the price (and pass fee) of alcohol goes up again, since this tends to be a political decision.

Then we will directly import ethylene (to use as feedstock at Rishra). There is no ban on such imports. We can, like Reliance, think of installing a terminal for ethylene storage too. Even if we depend on imports, our plant will be viable. At current international prices, the cost of ethylene per kg of LDPE will be around Rs 12 per kg while the cost of production will be another Rs 10 per kg. At today's LDPE price of Rs 30 per kg, we still have a good margin.

■ On his offer to purchase Ilac, the sick subsidiary of Calico Mills.

Ilac and our Chembur unit share the same boundary wall. So, it makes sense to buy Ilac. We have made an offer of Rs 50 crores to the Calico management. But because Ilac is a BIFR (Board for Industrial & Financial Reconstruction) case, the management wants to wait till the board decides on its case.

■ On his interest in the Assam gas cracker.

We had discussions with the officials concerned in the state government. In the end we decided to drop the project. The state government is insisting on a joint venture, in which we are not interested.

■ On the status of his bid for the Shahjahanpur (UP) fertiliser project.

We have more or less got it. It is now a matter of days. The proposal has been cleared in principle by the cabinet. Only the bare formalities remain.

■ On the allegation that he artificially props his share prices and whether he can continue doing so after Oswal Agro's share capital expands to Rs 95 crores (after the rights issue's conversion).

Why shouldn't my share price stabilise in the market? The performance of the company will determine the market price. Even if my EPS (earning per share) is Rs 7, the investor will have confidence in my scrip. Selling pressure comes only when there are less shareholders. Now that my base has increased to 7.5 lakh shareholders, there will be no such pressure. Without my interest liability, I can even pay 75% or 100% dividend. I will show the world by doing it too. In the future, all banking institutions will fall at my feet (to get business).

Interest and loans are cancer which eat away the profitability of any company. Without this liability, my companies can easily show a profit of 20% on turnover

■ On whether the financial institutions are planning to increase their stake in Oswal Agro.

Today, the institutions have a 10% stake in Oswal Agro. Why should I allow them to increase this stake? In both Bindal Agro and Oswal Agro, there are no institutional nominees on board. None of these companies has gone to them for term loans. Only Oswal Agro Furane has institutional borrowings (and that too) because the state government forced that on us. This is the secret of my success (i.e. absence of institutional meddling). Do you know why the Modis and DCM failed? We predicted the interference of the institutions in 1982.

It takes TISTECH to pione



TISCON TMT
12 and 50 grades
IS:1786) are available
n the range of 8 mm
:o 22 mm diameter.

ndia's first Thermo Mechanically Treated reba

Presenting

TISCON TMT

from Tata Steel

Produced by world class "Tempcore Technology"

TISCON TMT. Yet another first from Tata Steel. Produced by the world's most advanced Tempcore Process that uses Thermo Mechanical Treatment (TMT) instead of conventional cold twisting to impart high strength to the bar. Introduced in India for the first time under licence from Centre de Recherches Metallurgique (CRM) of Belgium.

A premium quality product

Tata Steel owns its raw material sources and has the perfect combination of blast furnace, LD and Concast facilities. This ensures superior chemistry.

TISCON TMT is rolled in India's most technologically advanced Bar & Rod Mill to close dimensional tolerances and a superb surface finish.

As a result, TISCON TMT has a package of properties superior to the standards specified in IS: 1786.

Unique benefits

TISCON TMT can be used on its own or in combination with any conventional twisted bar to give unique benefits to the construction sector.

- High strength, guaranteed to IS: 1786 standards, coupled with superior ductility makes structures extremely safe.
- Extra high bendability leads to ease of fabrication.
- High corrosion resistant characteristics can be used with great advantage in all concrete structures.

TISCON TMT. First in technology. First in quality. First in benefits.



TATA STEEL

The first and still the foremost

THE OSWAL KINGDOM

With three companies currently in his stable, Abhey Oswal presides over a Rs 300 crore turnover corporate mini-empire. Given below are thumbnail sketches of these three companies and their plans.

Oswal Agro Mills Ltd., the flagship, manufactures soaps, edible and refined oils, glycerine, oxygen, industrial oils and distilled fatty acids. In a major diversification, an ailing sugar unit in Phagwara, Punjab, was bought from Jagatjit Sugar Mills in 1987. Oswal has invested Rs 40 crores in it to expand its sugarcane crushing capacity to 3,500 tonnes per day (tpd), in the first phase. In the second, another Rs 60 crores will be pumped in to raise the capacity further to 6,000 tpd. A furfural plant, using bagasse as raw material, as well as a Rs 7 crore industrial alcohol plant, is also to be put up in the same area.



OSWAL AGRO FURANE'S RICE PROCESSING PLANT

Besides these, a Rs 20 crore proposal to make 10,000 tonnes per annum (tpa) of vinyl acetate monomer from alcohol is pending with the government. A new unit for making soaps with a 60,000 tpa capacity is also in the works.

Towards the end of 1988, Oswal Agro clinched a deal to acquire the closed Chembur (Bombay) petrochemicals unit of Union Carbide India Ltd. Initially, Rs 80 crores will be spent to restart the plant and increase the low density polyethylene (LDPE) capacity to 32,000 tpa (from the present 20,000 tpa). The production of XLPE (cross-linked polyethylene) will also be increased from 1,000 tpa to 5,000 tpa. This value-added product commands a premium in the market. If the state government permits a major expansion in the capacities of ethylene and LDPE within the Chembur complex, the company's naphtha-cracking capacity will go up to three lakh tonnes per year, raising the possibility of further expansion in downstream products.

Bindal Agro Chemicals Ltd., which was promoted by Oswal Agro, is into the manufacture of vanaspati, soaps, solvent extraction, refined and industrial hard oils, oxygen gas and portable rice mills. Last year, it took over the closed LDPE unit of ICI India (formerly IEL Ltd.) at Rishra (West Bengal) at the cost of Rs 14 crores. The existing LDPE capacity of 12,000 tpa is to be increased to 20,000 tpa. Negotiations are on to instal an additional plant of 10,000 tpa capacity in this complex. Talks are underway to import a second-hand ICI plant, from the Netherlands for around Rs 20 crores.

Oswal Agro Furane, the third company in the group, is a unique joint venture with the Punjab State Industrial Development Corporation (PSIDC). Commissioned in October 1988, this company has in its fold: (a) the largest rice processing plant in the world (annual capacity: 5,76,000 tonnes); (b) the largest furfural unit in Asia with a capacity of 3,000 tpa; (c) the largest edible rice bran oil factory in the country with 7,000 tpa capacity, and; (d) a 10.8 Mw power plant based on rice husk, the only one of its kind in the country.

The operations of this complex are even more unique. Paddy is shelled in the rice processing unit to obtain white rice, rice husk and rice bran. Oil is then extracted from the bran, leaving deoiled extraction as the byproduct. Furfural is extracted from rice husk and the spent husk is incinerated in high pressure boilers to generate steam to run the turbogenerator.

As for the group's future plans, the gas-based Shahjahanpur (UP) fertiliser project is one greenfield possibility.

er. Take the case of Oswal Agro Furane, whose rice processing plant, as well as the other units to make furfural and rice bran oil, were to get going in mid-1987. The plant went on stream only in October 1988. Then again, as soon as Oswal Agro bought the sugar unit from Jagatjit Sugar Mills, Oswal announced that he would go in for the production of vinyl acetate monomer. Till today, two years later, the company is still awaiting the "all-clear" signal from the government.

There's more. Oswal Agro Furane was supposed to be a 100% export oriented unit (EOU). Although the company has, all this while, been claiming this status, there are reports to the contrary. The 1987 annual report of the company clearly mentions that the 100% EOU status sought by the rice processing unit had been refused by the industry ministry, but this decision had been stayed by a court. On the final outcome of this case will depend the maintainability of various claims to duty exemption that the company would be entitled to as an EOU.

If none of this has shaken the confidence of his investors, the key lies elsewhere: the high share prices of Oswal companies, in particular Oswal Agro and Bindal Agro (Rs 70.50 and Rs 88.75 as on 8 June, Bombay stock exchange). No one is in any doubt that Oswal plays the stockmarket, especially to prop his share prices. He has no regrets on this count. "What is wrong if I support my own share prices? It only gives an added confidence to my shareholders," says he.

As open as the man himself, his group companies also openly indulge in buying and selling one another's shares. Take the example of Bindal Agro. As per its annual report, it had 59,635 shares of Oswal Agro in 1986. In the first half of 1987, the latter company came out with a Rs 23 crore rights issue. The ratio of allotment was 36 bonds (to be converted into two shares at a premium of Rs 40 each) for every 100 shares of Oswal Agro held. Bindal was, however, allotted over two lakh shares (or over one lakh bonds). Why this preferential treatment? Two probable reasons. One, Bindal may have increased its holdings in Oswal Agro prior to the issue. Or two, and this is the reason put forward by Oswal, "the company was allotted more shares than its due

rights."

Either way, Bindal must have hit a goldmine. The Oswal Agro scrip went up subsequent to the issue and Bindal made a lot of money by selling the shares. A point proved by the annual report for 1987, which states that the holding of Oswal Agro shares by the end of the year was only 27,350. A windfall for Oswal.

The masterstroke, however, came in early 1988, when Oswal Agro came out with successive rights and bonus issues, in that order. The importance of this sequence needs to be clearly understood. Since the prevailing market price of Oswal Agro was around Rs 120 at that time, if the bonus had come first, the ex-bonus price would have been Rs 70 and the controller of capital issues (CCI) would not have agreed to a premium of Rs 40 (which it did) for the rights.

On the other hand, brokers saw a chance to make money. As per their calculations, the ex-rights, ex-bonus price of the scrip would come down to Rs 53, making the rights issue unattractive to the investor.

The bears entered the market to make a killing. But they had reckoned without one fiery bull. Oswal retaliated, and the brokers got the shock of their lives when the cum-rights price of the scrip soared to Rs 145 before settling down to Rs 104 ex-rights. As the bears ran for cover, the scrip again soared to Rs 130 cum-bonus, ex-rights. Even the ex-rights, ex-bonus price was as high as Rs 80.

Even during this year's mini-mega issue of Rs 355 crores, the master showed his skills. Brokers estimate that he spent about Rs 80 crores to maintain Oswal Agro's price at around Rs 100. Only three days after the announcement of the rights, the scrip was quoted ex-rights, resulting in a straight Rs 20 loss for the short-seller. Oswal also managed to get the scrip shifted to spot trading, cutting out all speculative bears. To avoid hurting genuine sellers who may have wanted to raise money to subscribe to the rights, five nationalised banks were roped in to provide loans to shareholders.

After the rights issue opened, Citibank entered the market to buy renunciation forms. Thus, the premium on the forms was maintained. In Delhi, the premium was as high as Rs 21. Oswal, however, denies the involvement of Citibank. "They must have been buying on their own," he says. Whether his actions need to be frowned upon or not, there's no doubt the brokers' syndicate that had ganged up against him bit the dust. Oswal proved himself master of the game.

But then, the game was trading, share trading. The rules by which the manufacturing game is played are different. Can Oswal adapt?

That's a Rs 1,000 crore question. For that's what Oswal expects his group's turnover to be by 1991.

Any takers?

■ *Alam Srinivas*

UNION CARBIDE'S CHEMBUR PLANT WILL TEST OSWAL'S METTLE



THE $ 6 MILLION QUESTION

If Abhey Oswal loses this battle, his flagship company could be Rs 10 crores poorer. But the company's annual reports make little mention of this contingent liability, resulting from its past failure to stick to an export commitment.

The year is 1982. That's around the time Abhey Oswal decides to take his company public. A new unit for soyabean extraction is planned. The prospectus for the public issue specifically mentions that "the entire production of soyameal, for a period of five years, shall be exported under a firm export contract for the estimated value of $4.5 crores (sic) entered (into) by the company." It further states that "the foreign buyers are providing an interest-free advance of $ 6 million."

Questions unanswered. Who were these foreign buyers? What has happened to the export contract? Has the company repaid the advance it took? The company has officially not disclosed any information. According to sources, the foreign buyer was none other than Abhey Oswal's London-based non-resident relative, P.C. Jain. According to the grapevine, Jain borrowed this money from the London branch of an Indian bank and provided the loan to Oswal. However, since Oswal didn't keep the commitment, Jain has filed a suit in the Delhi high court. Till 1987, Oswal Agro had not exported a single kg of soyameal against the contract.

The company's 1986-87 annual report mentions that no adjustments had been made for the foreign exchange loan of Rs 5.91 crores ($ 6 million then), to provide for exchange rate fluctuations. These adjustments, the report said, would be made in the year of remittance or despatch of goods. When confronted with the question, Oswal claimed the court had already decided in his favour. "We won this case yesterday. In fact, your trip has been lucky for us. As per the judgment, we have to pay no money at all to P.C. Jain." When questioned further, he explained that the export commitment was not kept because the foreign party failed to open a letter of credit.

Investigations by *BusinessWorld* suggest that the court case may be far from over. However, attempts to contact Jain were in vain. According to sources, the Indian bank which lent money to Jain did not raise Cain over the matter because the Rajinder Sethia case was already making waves and the bank didn't want to draw attention to itself.

The curious aspect of the matter is that Jain is an old friend (or was) of Oswal. In fact, during Oswal Agro's first public issue, Jain subscribed to a lot of the non-resident quota. The relationship has, apparently, soured, if the court case is any indication. If Oswal finally loses, he will have to cough up $ 6 million, which at today's exchange rate could be close to a cool Rs 10 crores.



A versatile petrochemical from Vinyl Chemicals (India) Ltd. promoted by Parekh Group, makers of Fevicol Adhesives.

A product with wide-ranging usage

Vinyl Chemicals (India) Limited, a member of Parekh Group, is putting up a project for the manufacture of 10,000 tons per annum of Vinyl Acetate Monomer (VAM) at Mahad, a backward area in Maharashtra, in technical collaboration with Uhde GmbH, West Germany.

VAM is a key raw material consumed in bulk by Parekh Group in the manufacture of Polymer Emulsions, Fevicol Adhesives and related products. The product is also used for making a number of other industrial products.

A project with proven technology

The new plant is based on Bayer's process which is the most widely used process for making Vinyl Acetate Monomer in the world. The detailed engineering of the project is being carried out by Uhde India Limited. The project implementation is in full swing and is expected to be commissioned some time in the first half of 1990.

Parekh Group

Today, Parekh Group, with a turnover of Rs. 85 crores, has a diversified product line serving various industries like furniture, textiles, paints, printing inks, footwear, packaging, leather goods, paper, automobile, defence, etc. The Group is now adding Vinyl Acetate Monomer, a versatile petrochemical, to its product range.

Public Issue of 50,00,000 Equity Shares of Rs 10 each for cash at par.

HIGHLIGHTS

- ☐ REPUTED PROMOTERS
  Parekh Group Companies, makers of FEVICOL.
  Equity participation of Rs. 100 lacs by SICOM.
- ☐ UNIT TRUST OF INDIA (Firm Allotment)
  Equity Shares of Rs. 55 lacs reserved for UTI from Public Issue.
- ☐ PROVEN TECHNOLOGY
  Technical Collaboration with Uhde GmbH, West Germany on Bayer's Process.
- ☐ VERSATILE PRODUCT
  Vinyl Acetate Monomer (VAM) is a versatile chemical and can be used in manufacture of Polyvinyl Acetate, Polyvinyl Alcohol, Ethylene Vinyl Acetate Co-polymers, Vinyl Acrylic Co-polymers, Acrylic Fibres etc.
- ☐ LOCATIONAL BENEFITS
  Eligible for concessional finance from Institutions, backward area benefits and Sales Tax benefits as a Pioneer Unit.
- ☐ TAX BENEFITS
  80CC and other Income Tax and Wealth Tax benefits to the investors.
- ☐ EASY LIQUIDITY
  Listing on Bombay, Delhi and Ahmedabad Stock Exchanges.

Lead Managers:

The Industrial Credit and Investment Corporation of India Limited
Merchant Banking Division
163, Backbay Reclamation,
Bombay 400 020

Managers:

CANBANK Financial Services Ltd.
Capital Markets Group
115, Atlanta, Nariman Point, Bombay 400 021.

J.M. Financial & Investment Consultancy Services Ltd.
141, Maker Chambers III, 13th Floor,
Nariman Point, Bombay 400 021

Co-Managers:

Indian Overseas Bank
Maker Tower 'E', 5th Floor, Cuffe Parade,
Bombay 400 005

Bank of India
Merchant Banking Department
Stock Exchange Building, Dalal Street,
Bombay 400 023

Hongkong Bank
Merchant Banking Division
314, Dr. Dadabhoy Naoroji Road, Bombay 400 001

Vinyl Chemicals (India) Ltd.
Regd. off.: 7th Floor, Regent Chambers,
Jamnalal Bajaj Marg,
Nariman Point, Bombay 400 021.

ISSUE OPENS JUNE 27, 1989

ADROIT-91/89 R

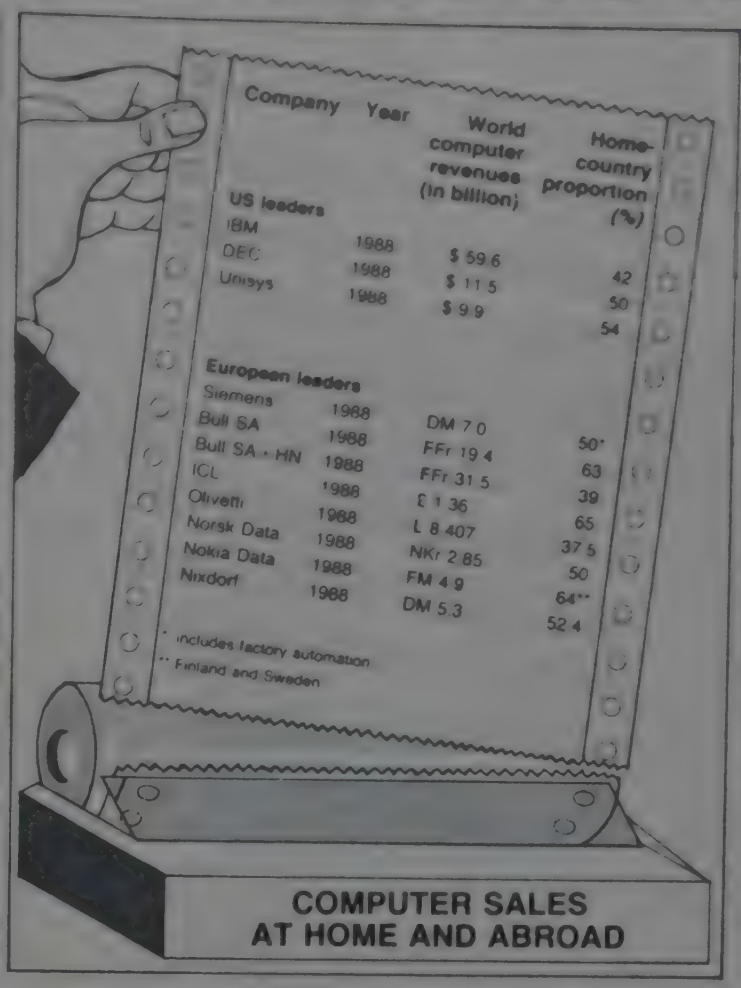
COMPUTER INDUSTRY

SHAPE OF THINGS TO COME

Europe's leading computer manufacturers are about to undergo a burst of rationalisation which will fundamentally reshape the industry, leaving it leaner, more efficient and better equipped to compete globally with US and Japanese suppliers.

Rumours of acquisition plans and joint ventures are rife; an example in April — dismissed out of hand by both parties — had Siemens of West Germany looking to take a stake in International Computers Ltd. (ICL) of the UK, part of the STC group.

Speculation has been fuelled by the fact that senior executives from the major players — ICL, Siemens, Nixdorf and Comparex of West Germany, Olivetti of Italy, Bull of France, Philips of the Netherlands, Norsk Data of Norway and Nokia Data of Finland — are virtually in standing conference on the future of the industry. Arthur Walsh, chairman of STC, has confirmed that ICL had had discussions with Olivetti and Nixdorf "among others."



COMPUTER SALES AT HOME AND ABROAD

Conventional justifications. The need to expand outside narrow national markets, to find economies of scale in manufacturing, to share rocketing R&D costs and to prepare for the single European market in 1992 are among the conventional justifications for rationalisation. To date, however, there has been more smoke than fire, although Siemens and BASF formed Comparex — a joint venture marketing Hitachi mainframes in 1987 — Bull emerged as the dominant partner in Honeywell Bull (now Bull HN) and Nokia bought L.M. Ericsson's Data Systems business in 1988.

Now, it seems, the Europeans have decided that the map must be redrawn more drastically and with some urgency.

The spur is their perception that the computer industry worldwide is going through changes more profound than any in its short history. A consequence is unprecedented pressure on gross margins and therefore on the justification for remaining in at least some areas of computer manufacturing. Unisys of the US, for example, which brought together Burroughs and Sperry in the industry's largest example of rationalisation, has already come to terms with this phenomenon, continuing to make its own proprietary mainframes but buying in smaller machines from Mitsubishi, Sequent, NCR, Computer Consoles and Convergent Technologies (which it finally acquired).

Europe's computer industry is on the threshold of rationalisation, which will enable it to be more efficient and better equipped to compete globally with US and Japanese suppliers

Robb Wilmot, former managing director of ICL and now an independent consultant, predicts a tough five years ahead for everybody. He points out that the industry is used to gross margins of between 60% and 70%. It will have to learn to live with margins about one third lower, he says.

The spread of personal computers and high performance workstations has generated other changes. The US journal *Datamation* estimates that companies based in Europe now have about half the European market, compared with only 34% in 1984. But it has become a different game.

Emerging specialisations. There is no longer a single, more or less homogenous computer market of the kind which existed in the seventies and early eighties and which was dominated by International Business Machines (IBM). Instead, a series of specialisations is emerging, each with its market leader. Compaq Computer of the US leads in high performance personal computers, while Sun Microsystems leads in engineering workstations. IBM, despite being five times the size of its nearest rival through its strengths in mainframes and mid-range machines, is no longer sole industry leader.

This explains the paradox of an industry apparently reaching maturity while at the same time changing more quickly than ever before.

In these new and unsettling conditions, the internationally competitive, the financially sound, the innovative and the flexible companies will be best placed to weather the storm. European manufacturers fall short on at least half, and sometimes all of these criteria, in the following ways.

- They are traditionally and cosily tied to their national markets. They have difficulty competing in other European countries, let alone globally.

■ They are lacking in commercial innovation. Over the past two decades, almost every innovation of importance in commercial data processing has come from the US.

■ They are vulnerable to softness in their home markets. Both Nixdorf of West Germany and Norsk Data of Norway, previously held up as shining examples of how to compete effectively against the Americans, produced poor figures last year when expected sales failed to materialise.



EUROPEAN COMPUTER MAKERS ARE WORKING TOWARDS A TOTAL SYSTEMS PACKAGE

■ They are slow to react to fundamental changes in the industry. Nixdorf and Norsk Data's problems were compounded by their resistance to moving away from their proprietary computer designs — which had been very profitable — to the industry standard designs which customers are increasingly demanding.

Principal trends. The move to industry standard systems, together with technological change and the globalisation of trade, are the principal trends driving down margins in the computer business.

European manufacturers have been at the forefront of the pressure for industry standard or "open" systems. Now US and (to a lesser extent) Japanese companies are in the running.

Essentially, open systems is an attempt to persuade hardware and software vendors that everybody's — not least the customer's — interests would be best served by an industry in which computers from different manufacturers could easily be connected together and software written for one design of computer would run on any other.

Underlying the Europeans' enthusiasm for open systems was a belief that it would "level the playing field" giving them a fairer chance to compete against the big US companies.

ICL was among the European pacemakers. Robb Wilmot says: "There was a feeling that if you made the running in a new market, you could win it. But it has proved to be more of a marathon. US and Japanese manufacturers have leapt in."

The result is that small and medium-sized computers are already commodity items, based on standard semiconductor chips and running standard operating software. Soon they will be simply components to be mixed and matched to meet customers' needs.

Further pressure on margins in Europe will result from the steady harmonisation of pricing policies as international customers refuse to pay artificially inflated European prices. Some customers are already buying their systems in the US and importing them more cheaply than they can buy in Europe. IBM has substantially brought its US and European prices in line. Others will have to follow suit, putting further pressure on margins for European manufacturers and their overseas competitors.

Unattractive proposition. Making industry standard systems has become an unattractive proposition except for those companies which can meet the demands of commodity manufacturing — low production costs, volume sales and effective distribution channels. The rule, therefore, has become to manufacture where it is still possible to add value — examples include mainframe computers with complex hardware and software requirements and special purpose microcomputers — and buy in standard systems where it makes commercial sense.

How should Europe's leading computer manufacturers adapt to these changes and changing circumstances? In the past, they took the role of "national champions," mistakenly modelling themselves on their larger US competitors, while failing to understand that without the benefits of a large and vigorous home market to stimulate and sustain their growth, they were doomed to become an ersatz IBM like ICL or a DEC writ small like Norsk Data.

What sort of computer companies should they become? Most say their aim is to become a "systems integrator," a specialist company which combines the best available hardware and software to tailor a system to a customer's exact requirements.

It is an attractive concept combining the prospect of dominating a specific business area with the opportunity of adding value to low-cost commodity hardware.

A number of European players are already showing promise in specific areas. ICL, for example, leads in the UK in retail systems and local authority systems. Nixdorf is strong in the international branch banking business. Olivetti has established itself in building society counter automation and savings banks, while Norsk Data has a good record in the newspaper business.

Sensible strategy. Regis McKenna, a US-based consultant and entrepreneur, says that systems integration and the domination of niche markets make more sense these days for European manufacturers than strategies aimed at gaining market share, which were more suited to the computer market a decade ago.

He says that large computer suppliers will find it increasingly difficult to be all things to all people: "Until large companies find a way to serve diversified, small market niches

economically and efficiently, small companies will continue to flourish and gain access to the growth markets of the future."

Against such a background, the rationale for a series of new and innovative links between Europe's major players is clear and unequivocal. These links could take a diversity of forms — joint ventures, marketing agreements, mergers or acquisitions.

The need to share the costs of research and development is already recognised in a number of developments, including European Community programmes like Esprit and Race and joint initiatives like the artificial intelligence laboratory established by Siemens, ICL and Bull.

The need to gain access to each others' geographic markets could be supported through bilateral marketing agreements. ICL, for example, has a weak presence in West Germany, while Siemens is making renewed efforts to establish its computing activities in the UK.

If Europe's computer makers are to succeed in making a transition from manufacturing to systems integration, they will have to boost their software application skills well beyond what they could hope to achieve through organic growth

Mergers or acquisitions between the big players are less likely. Apart from the technical and managerial problems of merging corporate cultures across national boundaries, the European players are well prepared to discourage would-be purchasers.

ICL, for example, owned by STC (in which Northern Telecom of Canada also has a stake) has the complication of technical agreements with Fujitsu of Japan. Norsk Data, perhaps the most vulnerable, has a two-tier share structure which would rule out all but the friendliest of approaches.

More obvious targets for acquisition or partnership are the independent computing services companies and the consultancy arms of the big accounting firms. If Europe's computer makers are to successfully make the transition from manufacturer to systems integrator, they will need to boost their applications software skills well beyond what they could hope to achieve through organic growth.

■ *Alan Cane*

(By special arrangement with the Financial Times, *London.)*

SWISS BANKING

CRACKS IN THE VAULT

Tinpot dictators from the third world, Mafia men and tax evaders seem to have been rudely shaken out of their complacent belief that no undesirable intruder can ever gain access to their wealth if it's stored in the vaults of Swiss banks. The Marcos affair has punched a hole in their reputation of being unpenetrable fortresses for taxmen and other law enforcement agencies.

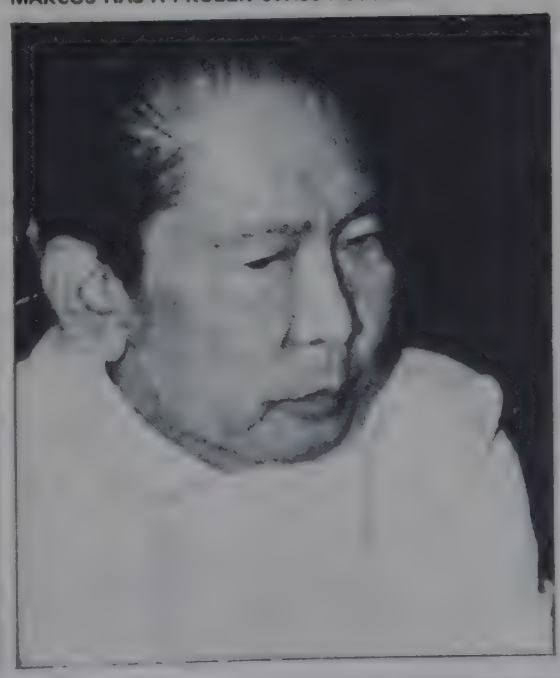
"Swiss cheese and the Swiss banking system have one thing in common now ... they are full of holes," says Andre Muller, a Swiss lawyer, who has often lashed out at the Swiss government's decision to freeze the Swiss bank assets of ex-Philippine president Ferdinand Marcos. The government's action, taken at the instance of the Philippine government of Corazon Aquino, has angered Swiss bankers who fear that potential clients will now be deterred from investing money in Swiss banks.

Their fear is not without basis. Small-time competitor Luxembourg is already emerging as the "Switzerland of the future." That means it is becoming a haven for unaccounted money, a role that was hitherto played almost exclusively by Switzerland.

Credibility test. "The land of numbered accounts," as Switzerland is often referred to by bankers and critics alike, is facing a credibility test. For, the country's biggest attraction to foreign investors — its banking secrecy — has been so badly undermined by the action of freezing Marcos' assets, that it threatens to shatter the country's image as a safe banking haven and deter potential investors.

The unprecedented government action touches a sensitive nerve in the country's banking system. Swiss bankers are also bitter that they are being portrayed as the villains of the financial world while others who had played equally opportunistic roles remain unpunished. The "others" referred to are rival American banks. "As a result of the change in American fiscal laws and the over-zealous efforts by the big banks in obtaining unaccounted money, the US has also been turning out to be a haven for unaccounted money from the third world since the early eighties, a large part of which was used to finance American budgetary deficits," laments a Zurich-based banker. He claims that some $8 billion has flowed from the Philippines to accounts in American banks since 1980.

MARCOS HAS A FROZEN SWISS ACCOUNT



Ferdinand Marcos is, however, not the only one to have pumped money into American banks. West Asian businessmen have also been transferring large sums of money to American bank accounts, using frontmen and institutions to effect the transfers. Besides high interest rates, political stability and the secrecy of American banks are factors which have been luring foreign investors.

AMINES & PLASTICIZERS LIMITED

Regd. Office: Noonmati, Guwahati-781 020, Assam

NOTICE

It is hereby notified for the information of the public that AMINES & PLASTICIZERS LIMITED proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi, under sub-section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act, 1969, for approval for the establishment of a new undertaking/for manufacture of new article in the existing undertaking. Brief particulars of the proposal are as follows:

1.	Name and address of the applicant	: **AMINES & PLASTICIZERS LIMITED** 'D' Building, Shiv Sagar Estate Dr. Annie Besant Road, Worli, Bombay-400 018.	
2.	Capital structure of the applicant organisation	: Authorised Capital: 50,00,000 Equity Shares of Rs. 10/- each 50,000 11% Redeemable Cumulative Preference Shares of Rs. 100/- each	5,00,00,000 50,00,000
			5,50,00,000
		Issued, subscribed and paid up capital: 24,00,000 Equity shares of Rs. 10/- each fully paid up Less: Call in arrears	2,40,00,000 2,799
			2,39,97,201
		20,000 11% Redeemable Cumulative Preference Shares of Rs. 100/- each fully paid up	20,00,000
			2,59,97,201
3.	Management structure of the applicant organisation indicating the names of the directors, including managing/whole-time directors and manager, if any.	: The company is managed by the Managing Director subject to the superintendence, direction and control of the Board of Directors. Mr. B. Himatsingka, Chairman Mr. S.S. Kanoria Mr. Raghu Raj Mr. P.S. Vaidya Mr. K.K. Seksaria Dr. P.H. Vaidya (ICICI Nominee) Mr. Dipak Himatsingka, Managing Director	
4.	Indicate whether the proposal relate to the establishment of a new undertaking or a new unit/division	: The proposal relates to the manufacture of new article in the existing unit/undertaking	
5.	Location of the new undertaking/ unit/ division	: The new article will be manufactured at the existing undertaking located at MIDC Plots, Trans Thane Creek Industrial Area, Turbhe, Dist. Thane, Maharashtra.	
6.	Capital structure of the proposed undertaking	: No new undertaking is proposed. The capital structure will be same as indicated in item 2.	
7.	In case the proposal relates to the production, storage, supply, distribution, marketing or control of any goods/article, indicate:		
	i) name of goods/ articles	: Alkanolamines all sorts including substituted Alkanolamines and derivatives	
	ii) proposed licensed capacity	: 3,000 tonnes per annum	
	iii) estimated annual turnover	: Estimated ex-factory value Rs 2025 lacs at 100% capacity utilisation.	
8.	In case the proposal relates to the provision of any service, state the volume of activity in terms of usual measures such as value, income, turnover etc.	: Not applicable	
9.	Cost of the project	: Estimated cost Rs. 500 lacs	
10.	Scheme of finance, indicating amounts to be raised from each source.	: From internal accruals and term loans	

Any person interested in the matter may make a representation in quadruplicate to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, New Delhi,within 14 days from the date of publication of this notice, intimating his views on the proposal and indicating the nature of his interest therein.

For AMINES & PLASTICIZERS LIMITED

Dipak Himatsingka
MANAGING DIRECTOR

Dated this 22nd day of May, 1989

Bitterness generated. The other dimension to this hot money flow lies in the debt crisis, which very nearly brought down Mexico's financial collapse. The debt crisis has led to intense soul-searching among Americans who have grown averse to the corrupt Latin American ruling elite and their helpers in American banks. The sums hoarded by Latin American dictators in American banks are estimated to reach dizzy heights, with a whopping $15 billion coming in since 1980 from Argentina. The wealth amassed by Mexicans in American banks is estimated around $85 billion, according to a Swiss source.

This has generated considerable bitterness among Swiss bankers who had, in the past, sharply criticised the Swiss Federal Council for freezing all the assets of the Marcos family in Swiss banks. The Council, defending its action, said the freeze was permitted under the provisions of the country's emergency laws.

While supporters of the official action cheered it as the "first right step in getting international respectability for Switzerland," the bankers drew little consolation from this. Indeed, Swiss bankers had benefited more than anyone else from the negative press coverage given to their country as a haven for dubiously amassed money because this brought them a surge of capital from all over the world.

But l'affaire Marcos has changed all that. The Swiss suddenly find their business in peril, even as they cast envious eyes at rival banks in America and elsewhere in Europe. They face the danger of capital flowing out of their banks if protection from foreign tax investigators, stock exchange institutions, foreign exchange controls and the cumbersome restrictions of other official institutions cannot be guaranteed. The other financial centres will be only too happy to grab business from the Swiss.

Dangling carrots. The Austrians, for instance, are notoriously discreet and secretive about everything. Luxembourg has been dangling all kinds of carrots, including tax benefits, and making a clear pitch for unaccounted money with its "your-account-is-our-national-secret" slogans. London has done away with many of the charges and fees on its services — something which the Swiss have tried in vain to bring about since years.

Switzerland's biggest attraction — its banking secrecy — has been so badly undermined by the action of freezing Marcos' assets, that it threatens to shake the country's credibility as a safe banking haven

Adding to Swiss woes is the aggressive marketing of new ideas like options, futures, cash management, project financing and swaps — phenomena which continue to sweep the world of finance stretching from Tokyo to New York.

It would, however, be unfair and wrong to say that the Swiss banking system is facing imminent death. Far from it. Swiss bankers have been resolute in maintaining secrecy even in the cases of deposed dictators like Marcos and Maurice Duvalier of Haiti. This is not the first time that bankers have been tight-lipped. Similar parallels can also be traced in Swiss banking secrecy to the disputes over the assets of former Ethiopian emperor Haile Selassie and the Shah of Iran. The law also provides possibilities of appeal against official action and Swiss bankers will generally go to any length to hold on to the money. They have amply demonstrated their ingenuity and determination in the case of Haile Selassie and they have — so far — also done so in the case of Ferdinand Marcos.

"The Duvaliers, the Selassies and the Marcoses of this world can be sure that their old-age pensions are well preserved in Switzerland," quips the lawyyer of a leading Swiss bank.

■ *Manik Mehta*

JAPAN

TRON TROUBLES THE US

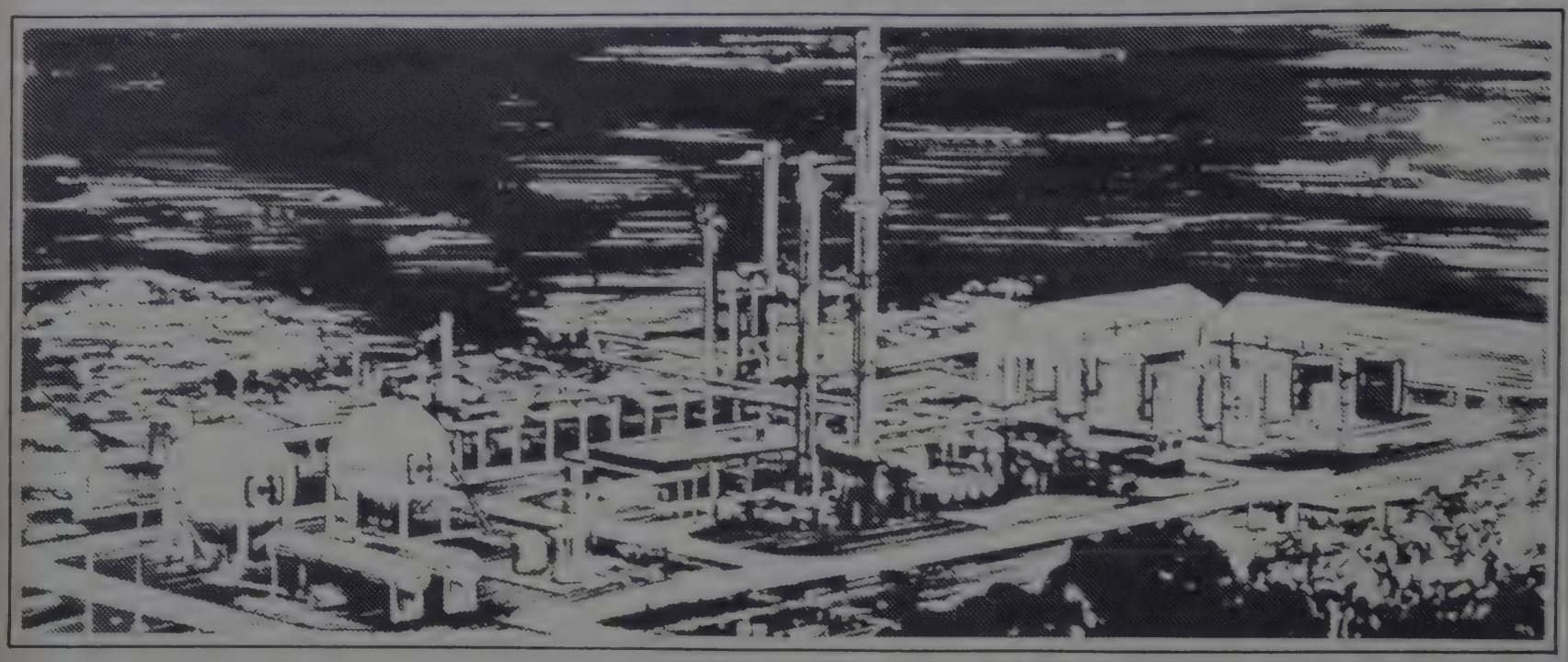
US trade representative Carla Hills' litany of 54 Japanese trade barriers was largely predictable. But there was one unfamiliar name — Tron. The reason for the unfamiliarity is that Tron is not a product. Rather, the initials refer to a set of specifications, on the basis of which many of the biggest names in Japanese electronics are hoping to build their domestic personal computer business.

The focus of US concern about Tron is the Centre for Educational Computing, an organisation set up in 1986 by an unholy alliance between the Japanese trade and education ministries. The centre is currently evaluating several Tron-based prototype machines with the aim of choosing one that will be used in Japanese schools. This is a potentially huge market — some estimates put the figure as high as ¥1 trillion (Rs 1,100 crores) — and one the US fears it could be excluded from, unless it acts now.

Tron is the brainchild of Ken Sakamura, a 37-year-old associate professor at the University of Tokyo. His idea was to take advantage of advances in chip technology to build a new stable of ultra-fast microprocessors. These, because they are not constrained by the need to maintain compatibility with previous generations of software, would process in "real time" (hence Tron's initials, which stand for The Real-time Operating-system Nucleus) — without any finger-drumming pauses for the user.

Flexible software. Tron chips would run software flexible enough to handle Japanese *kanji* characters as well as the Roman script, something which Sakamura claims conventional American-designed microprocessors and

KOTHARI SUGARS – RIGHTS ISSUE



Kothari Sugars and Chemicals Ltd. The company that's all set to cruise into the future with its dynamic diversification into the growing world of polybutenes.

Polybutenes are critical to the manufacture of jelly filled telecom cables, hi-speed lube oil, insulation compounds, paints, inks, adhesives, sealants, leather finishing chemicals... all high growth industries.

Project Highlights

- The estimated demand for polybutenes is 15,000 tonnes p.a. - three times the currently available capacity.
- Polybutenes are critical import substitution products.
- COSDEN technology, one of the world's best, will be used for the Rs. 18 crore unit to be erected by December '89 at Manali Petrochemical complex.
- Feed stock has already been tied up.
- Commencement of commercial production in March '90.

ISSUE HIGHLIGHTS

- **Issue Amount : Rs. 240 lakhs**
- **Ratio : 3 shares for every 2 shares held**
- **Payment Rs. 10 on application per share at par**
- **Paid 17% dividend for the year Dec.87 - Nov.88**
- **No gestation period**
- **Pro-rata dividend from the date of allotment**
- **Reserves at Rs. 310 lakhs against a paid up capital of Rs. 160 lakhs**
- **Project finance tied up**
- **Listing at Madras, Bombay & Bangalore Stock Exchanges**
- **Retention of over subscription up to 15% permitted by CCI**

Kothari Sugars and Chemicals Limited

Regd. Office: Kothari Buildings,
115, Nungambakkam High Road, Madras 600 034.
Tel. 476036, 473311

The chemistry of success.

ISSUE OPEN TILL 30 JUNE 1989

Mudra:M:KSCL:3698

software are not good at

The potential for performing fast Japanese language processing is a major reason why Japan's nothing-if-not-nationalistic education ministry favours Sakamura (who happens to be one of its employees) and his proposal. But it is doubtful if Tron would ever have got off the ground had it not been for the decision back in 1983 of US microprocessor makers Intel and Motorola to deny production licences for their latest generation, 32-bit, chips. That decision left former licensees like Fujitsu and Hitachi with no way to upgrade their products.

Suddenly — miraculously, as it must have seemed then — up popped Sakamura proposing, like some latter-day Moses, to lead the companies out of the 32-bit-less wilderness. Biblical comparisons come readily in reference to Tron, because in Japan the project has taken on many of the trappings of a religion, with Sakamura its visionary and high priest, and literally thousands of Japanese engineers his disciples.

A Tron association was formed, initially under the wing of the Japan Electronic Industry Development Association. The association now boasts a membership of 126 companies, including a handful of foreign firms (most notably Intel and Motorola, which understandably want to keep an eye on what the association is up to).

A core of enthusiasts — Fujitsu, Hitachi, Mitsubishi Electric and, most recently, Oki — are collaborating on developing microprocessor chips based on Tron specifications. Marketing of the first of these chips (under the name Gmicro) has just begun. With them, the group hopes to capture a quarter of the market for 32-bit microprocessors. US firms currently have about 95% of this market.

But while Tron has been gaining momentum inside Japan, a potentially significant development has been taking place outside. This is the advent of the so-called Reduced-Instruction-Set-Computing (Risc) microprocessors.

Compared with the huge, million-transistor-plus Tron chips, Risc microprocessors are small and fast. They are used to power the new workstations — powerful desktop computers featuring high-resolution graphics — that constitute one of the fastest-growing sectors of the computer market. Most significantly, the companies that came up with Risc chips have been happy to license their designs to the Japanese. Fujitsu is making the new microprocessors under licence from Sun Microsystems; NEC, from Mips Computer Systems.



Competition. Gmicro chips will have to compete not only against established designs from Intel and Motorola, but also against these Risc chips. Without securing a high-volume application to drive down their price, it is difficult to see how the Japanese chips are going to compete.

This is why Gmicro makers need the potentially huge procurement orders for Tron-based computers from the education ministry. Hence also US fears of trade barriers in the making.

The Americans want to know why there is any need to develop a new personal computer for Japanese schools anyway. What is wrong, they ask, with existing machines? If ease of use was the ministry's criterion, then surely Apple's friendly Macintosh computer should have been considered. Especially since Apple has placed a great deal of emphasis on developing products for the education market. But Apple is not included on the list of 14 makers whose prototypes are being evaluated by the government's centre. (IBM Japan and Nihon Unisys are the only non-Japanese-owned companies involved.)

The ministry's insistence on a special-purpose machine seems particularly perverse, indeed explicable only in terms of nationalism or the promotion of domestic industrial interests, in the light of the fact that one brand — NEC's 9800 series — already dominates the Japanese market for personal computers. (Significantly, the reason NEC came to dominate was better graphics — the resolution on the original IBM personal computers was not good enough to display *kanji*.)

Although based on a unique standard, NEC's machines run MS-DOS, the main operating system used by personal computers worldwide, for which there are hundreds of software packages available, many of them available in Japanese. Access to a wide range of existing software is always a key factor in choosing a computer.

Exception. Everywhere, it would seem, except Japan, where the education ministry seems blithely unaware of the consequences of cutting off its charges from the rest of the world's software base.

What happens next? Several firms already have Tron-based personal computers more or less ready to go. Matsushita, for example, was demonstrating one at a technology fair in Tokyo at the end of March. But the giant Osaka-based company says it has no plan to market the machine until the education authorities have made up their minds. Given the US pressure, that decision could take a long time to arrive.

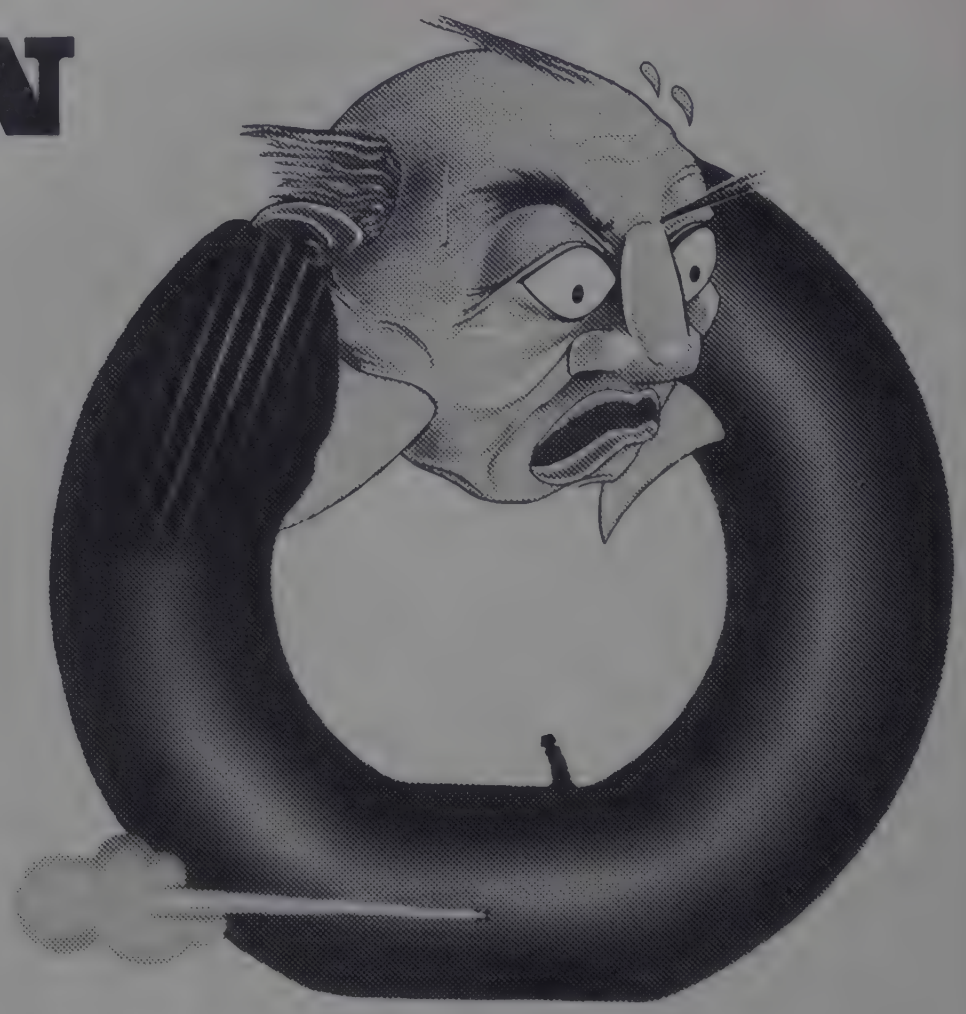
■ *Bob Johnstone*

(By special arrangement with the Far Eastern Economic Review, *Hong Kong.)*

Tyre, Traffic and a Talk of

RALSON





ROADMAN
recommends

Butyl Auto Tubes as Revolution of Radial Technology in Automobile Tyres now fits in with Ralson Butyl Auto Tubes

- Capacity to retain air better than natural rubber auto tubes. Nozzle made of advanced technology.
- Correct air pressure helps save fuel.
- Less frequency of air checks.
- Strong to resist heat.
- No air loss at the cost of steering control.
- Give 25% more tyre life.
- Resist acid and ozone.
- Ralson Butyl lasts longer.
- Strongly backed by quality control, R&D set-up, professional and technical expertise.
- **Rough Roads in India need tough jawab from Ralson Butyl Auto Tubes.**

RALSON
The Tyre People

RALSON TUBES LIMITED
Mailing Address : Post Bag No. 19, Ravishanker Nagar, BHOPAL-462 016
Works & office : Plot No.-4, New Industrial Area, Mandideep, Distt. Raisen, M.P.
Phones : BHOPAL Office : 65726, 65033 Mandideep Works : 145
Telex : 0705-334 RALB-IN Cable : RALSONTYRE-BHOPAL

For any information please contact :
* B-108, Mayapuri, Phase-I, New Delhi-110 064, Phones-591574, 5417608, Telex : 031-76024 RALD-IN, Fax-5417745. * Ralson Nagar, G.T. Road, Ludhiana-141 003, Phones-20701, 31501, Telex-0386-325 RLSN-IN, 0386-468 RILL-IN, Fax-30127. * E-2/160, Arera Colony, Bhopal, M.P. Phones-65726, 65033, 68824.

SEOUL SEARCHING NEEDED

South Korea's hidden persuaders had to be persuaded a great deal to welcome their yankee brethren into their highly "protected markets." Finally, in late 1987, Korea decided to allow minority foreign investment.

Now, in preparation for 1991's opening of the market, South Korean ad agencies are increasingly setting up joint ventures with US partners. Korea First Advertising Co. of the Samsung group, the largest Korean agency, will this year set up a joint venture with Bozell Inc. of the US. Similarly, Oricom Inc. plans to join up with Hakuhodo Denstu McCann Worldwide of the US. Many other agencies too are joining the rush.

But there may be hitches. Besides, language and cultural barriers, another factor of potential concern is that, with the exception of the Daewoo group, all major Korean business conglomerates have their own ad agencies. Obviously, before trying to milk Korea's $1.8 billion advertising market, the Americans will have to do some Seoul-searching.

TOSHIBA LEANS ON SUN

The computer industry could be in for a shakeout. At least that's what US hotshot workstations outfit Sun Microsystems is hoping will happen as a fallout from its technology transfer agreement with Toshiba of Japan. Under the agreement, Toshiba, the world leader in laptops, will use Sun's Sparc reduced instruction set computer (Risc) microprocessor and the Sun Unix software operating system for its computers. Toshiba has the option of developing its own version of Sun's Sparc Risc microprocessor.

For quite some time now there has been a battle between manufacturers opting for Intel's complex instruction set computer (Cisc)-based microprocessors and the widely used Microsoft operating software MS-DOS and those who've opted for Cisc and Unix operating software. With Toshiba leaning on Risc, Unix and Sun's Sparc computers, leading software developers could be lured in to develop further applications software based on this system, thus widening the market. This could tilt the scales in favour of the Risc/Unix side of the industry.

DOWN UNDER MOVES UP

Australia, till recently an economic paradise, has flit across the world debtors' league to grab the number four spot — behind the US, Brazil and Mexico. It almost confirms the scary scenario conjured up by its former treasurer Paul Keating a few years back that Australia is turning into a banana republic. Preliminary figures released by the Bureau of Statistics show that Australia's foreign debt burden was US $96 billion, which is a high 39% of GDP.

While the Labour government was at pains trying to explain away the figures, Moody's, the US credit rating agency, announced that it was reviewing its rating of Australian debt. As opposition leaders seized on the disclosures to score political points, prime minister Bob Hawke accused them of "scaremongering."

Of the total foreign debt, only 15% is official debt. Non-official public sector debt stands at 25% and the remainder is due to private sector borrowing, most notably by Australia's largest corporations. The high debt figures did not surprise the financial markets. With the weakening Australian dollar and poor balance of payments figures, the outcome was anticipated.



ARNAULT GETS A FREEZE

SETBACK FOR ARNAULT

French billionaire Bernard Arnault's plans for LVMH, a drinks and luxury goods group, seem to have suffered a setback. The Paris commercial court has imposed a temporary freeze on part of Arnault's controlling stake in LVMH. And that consists of an issue of bonds with warrants which was made by LVMH through Lazard Freres, a Paris-based merchant bank, in 1987. The warrants were later partly converted into shares.

Arnault has about 46.5% of the LVMH group's capital and 35% of its voting rights. The contested warrants and shares make up around 11.4% of LVMH's fully diluted equity.

The freeze must be a bitter-sweet victory for Henry Racamier, chairman of Louis Vuitton (LV), who has been at loggerheads with Arnault ever since he took over LVMH (formed out of LV's merger with champagne and cognac maker Moet Hennessy in 1987) and became its chairman. Though Racamier has come up victor in the case of the bond issue, Arnault can still exercise his voting rights, if needed.

HI-TECH FUTURES MARKET

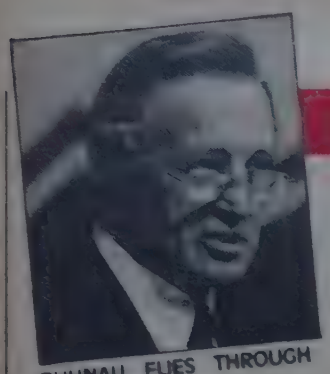
A new market for trading in futures contracts for hi-tech is on the cards in the US. That's if a California-based consortium and the Pacific stock exchange's (PSE) plans bear fruit. Memory Clearing Corporation (MCC), a group of semiconductor electronics and trading experts, had hit upon the idea of setting up a futures market in dynamic random access memory (dram) chips.

Drams are essential data storage components in computers — so essential that they can considered as "commodities" in the traditional sense.

MCC reasoned that a futures market will act as a "hedging tool" to enable dram buyers to protect themselves from price volatility. Using futures contracts, buyers will be able to lock into a price for drams and arrange for delivery at a specific date.

Now all that is left is for PSE to get clearance from the Commodity Futures Trading Commission (CFTC) to get going.

Will the CFTC chip in with a yes? That is a million chip question.



RUHNAU FLIES THROUGH A GOOD YEAR

LUFTHANSA FLIES HIGH

Lufthansa has been flying high. Last year, the German airline completed 25 consecutive years of profit-making. No mean achievement! In today's airline world of undercutting and discounting, Lufthansa made a staggering profit of DM 99 million (Rs 80 crores) for the year ended 1988.

Lufthansa carried 19.4 million passengers in 1988, thus achieving the fourth position internationally, the chairman of the airline's executive board, Heinz Ruhnau, announced recently. Another feather in its cap was its emergence as the number one freight carrier in 1988, having handled a total of 8,26,000 tonnes during the year.

The airline has embarked on a DM 2.2 billion investment programme, two-thirds of which will be spent on the acquisition of new aircraft.

In the near future, Lufthansa proposes to concentrate even more on India in view of its emergence as a travel market of the future. Additional capacity, both passenger and cargo, will be made available this year.

YANKEE PERIL

Despite the American government crying yellow peril, American companies are the biggest investors in Japan. It's a classic case of trade scoring over politics.

American companies accounted for 54.7% of the total foreign investment of $3.24 billion during the fiscal year ended 31 March, 1989. This was an 89.1% jump over the previous year's figure. Total foreign investment in Japan increased by 46.5% despite the high yen.

The interest was mutual. The US attracted the most direct investment from Japan — $21.7 billion in fiscal 1988, up 47.6% from a year earlier. But then, sadly enough, such transfer of capital into the bastion of free trade is not considered a mere act of investment. It is, in true Hollywood style, considered the invasion of the yellow aliens.

INTEL'S EUROPEAN SOJOURN

With several American and Japanese semiconductor companies setting up shop in Europe, one more to join the list is Intel, the US chipmaker. It plans to invest £200-300 million in Europe over the next few months.

Recently, Fujitsu announced its decision to invest £400 million in the UK. Hitachi and Toshiba have also set their sights on Europe. The rush comes in the wake of the European Commission's ruling which states that chips have to be manufactured in the region to qualify as European-made.

Intel has an edge over other companies because it is one of the world's two main producers of microprocessors,the heart of personal computers. With this decision to invest in Europe, Intel will be shedding its reluctance to set up fabrication facilities outside the US.

GATT PRONOUNCES US GUILTY

It wasn't exactly a sugar-coated message. A panel of the General Agreement on Tariffs and Trade (Gatt) has found that US sugar-import quotas violate international rules by unfairly restricting imports.

Gatt, which was established to help resolve international trade disputes, has recently been snubbed more than once by Uncle Sam. Increasingly, Washington seems to be resorting to bilateral and unilateral approaches to its trade problems.

The Gatt investigation was in response to an Australian claim which was supported by Canada, the European Community and Argentina. It now puts America in a dilemma. It can either change the quotas or pay compensation to the sugar-producing nations or it can ignore the Gatt ruling.

The existence of the last option shows that in the international economic community, some countries are more equal than others.

DISPOSABLE CAMERAS

Don't wan't to lug your expensive Nikon or Maamiya along with you on your trek into the wilderness? No hassles. The camera industry has come up with a solution: waterproof disposable cameras at the cool price of $15 or less. Disposables come with a roll of film threaded through them. Once shutterbugs run out of exposures, they send in the whole camera for processing.

First off the block was Japan-based Fuji Photo Film Co. in 1987, which today commands 75% of the $150 million world market. US-based Eastman Kodak retaliated last year with Fling, just hours before Fuji invaded the US with Fuji Colour Quick Snap.

This year Kodak seems to have stolen a march on Fuji with two disposables making their debut. The Weekend 35, with a 24 exposure 400 ASA film will hit American stores this month. Stretch 35 with which scenery buffs can take pictures having twice the normal snapshot width, will be available in the US, come September. Having a 12-exposure 200 ASA film, Stretch 35 has drawn a response from Fuji. The pioneer is throwing in built-in flashes along with its disposables, besides offering packaging gee-gaws.



THE DISPOSABLE STRETCH 35

In a model available only in Japan, a figure of a Koala bear pops up and does a dance. Kodak hopes to offer a reusable flash along with its disposables soon. What with margins being a hefty 60% plus, and the market booming, there are many more frames to be shot in the duel for the No.1 slot.

Some possessions define a character.
Some distinguish it.



Chancellor

Exclusive Filters

A cigarette so distinguished.
It's by appointment to your majesty.



How Blue Star offered BARC a solution that didn't cost them a bomb.

BLUE STAR

the hi-technology Compa

By supplying a very low power consumption 1800-ton refrigeration system with single stage open compressors for the Kalpakkam Atomic Reprocessing Plant.



It was a specialised job. Providing three 600-ton centrifugal chillers, circulating pumps, piping and wiring for the Kalpakkam Atomic Reprocessing Plant.

BARC had played it cool by turning on the heat of a thorough technical scrutiny. Contrary to what they had believed, we convinced them that a single-stage compressor with advanced heat-transfer technology tubes would result in higher efficiency and lower power consumption compared to a two stage outdated design. There was also our excellent reputation and record for cost-efficient project management and adherence to delivery schedules.

For BARC it only reaffirmed the faith and confidence they've had in us for the past 25 years.

For us it was yet another triumph in technology and expertise. Successes such as these have made us the leaders in air conditioning and refrigeration for over 40 years. With some of the most complex and prestigious projects to our name.

Manufacturing collaboration with world-famous YORK

Our manufacturing collaboration with York International, USA. a world leader in the field.now puts the finest technology to work in India.

Enabling us to engineer, custom-build and install energy-conserving. performance-efficient systems that perfectly match each client's specific requirements.

BLUE STAR AC & R PROJECTS GROUP

Manufacturing Collaborations

York International, USA

Philips Industries Inc, USA

New Product Launches

Blue Star-York Centrifugal Packaged Chillers

Blue Star-York Reciprocating Packaged Chillers

Blue Star-York Air Handling Units

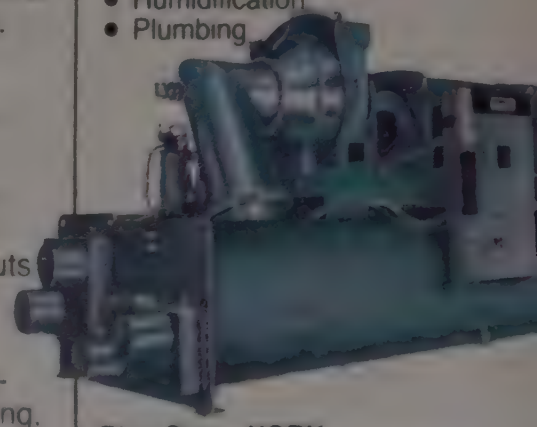
Blue Star-York Finned Coils

Blue Star Packaged & Split-type Air Conditioners

Contracting

Central Plants and Systems for:

- Air Conditioning
- Refrigeration
- Heating
- Ventilation
- Evaporative Cooling
- Humidification
- Plumbing



Blue Star – YORK the energy-saving centrifugal chiller.

The way we put it all together, is what sets us apart.

BLUE STAR-YOR

AIR CONDITIONING • REFRIGERAT

THERMAX BUILDS UP STEAM


THERMAX GHO IN PUNE

Things are on the boil at Thermax Private Ltd. once again. After a couple of years, when the much-diversified Pune-based boilers company seemed to be in a wee bit of a tight spot, Thermax has not merely sighted the light at the end of the tunnel; it has emerged in bright sunshine. "We had some sort of a financial crisis," admits director (finance) K. Ramchandra. "Today the scenario is different."

But even while the numbers men were busy shaking out their piggy-banks to tide over the liquidity crisis, Thermax did not deviate from the growth trail it has been on from the beginning. Sales did not slacken and the company kept up its leitmotif of tying up with foreign majors. Late last year, a joint venture was unveiled with surface coating equipment major DeVilbiss and early this year another one with the big boys in boilers — Babcock & Wilcox. More recently, Thermax has joined hands with A.W. Chesterton of the US to peddle the latter's range of advanced maintenance products in this country.

Such a flurry of new projects and products is typical of Thermax. Explains chairman and managing director Rohinton D. Aga: "We like new products — it gives us a kick."

But the kick could end up hurting at times. It did in 1985-86, when profits after tax (PAT) came plunging down to Rs 43 lakhs from Rs 3.62 crores the year before. The PAT did recover to Rs 2.34 crores in 1986-87 but that was still below the heady Rs 4.87 crore recorded in 1983-84.

What went wrong?

A CONSTRAINT

Part of the problem lies in the fact that Thermax is a private company (and intends to remain so). Unlike its brethren listed on the stock exchanges, it had no recourse to public funds to finance expansion. That's not too necessary if you are a little league player, but a Rs 124 crore turnover (1988 annualised) company is in a different ballgame. "We were growing fast," says Aga. "Finance became a big constraint."

For the moment, that storm has been ridden out. Thermax has organised a line of finance of Rs 1.5 crores from the Unit Trust of India and another Rs 2 crores from Canbank Mutual Fund. Currently, what with profits also in good nick, there is enough in the kitty. And, says Ramchandra, "raising money is no problem for a good company."

But Thermax has always been perceived as a good company. So why did it run into heavy weather in the first place?

Where Thermax tripped up was in going into project contracts in a rather big way without knowing all the ropes. "We learnt the hard way that there is a technology in handling projects," says Aga.

Thermax had earlier been basically into products. That meant a simple cash transaction, even if the payment came after its customary delay. But in projects, a quoted rate which looked attractive at one time ended up abysmally low in retrospect. Thermax made the mistake of going in for fixed price contracts; soon it was cowering under cost overruns. Besides, with the mark and the Japanese yen shooting up, the cost of the import component headed moonwards. The result: a bottomline scraping rock bottom.

But Thermax has bounced back. "We are wiser now," says Aga. The wisdom is reflected in the figures. Profit before depreciation and interest for the 18-month period ended March 1989 was Rs 16.54 crores, which works out to Rs 11.03 crores on an annualised basis. And, while the company is chary of detailing its exact PAT, the grapevine has it that it will be much better than any earlier performance.

That's quite creditable considering that its earlier performance takes a lot of living up to. Financially, the figures speak for themselves (see chart p.85). But they tell only half the story. The real saga of Thermax is in the way it has metamorphosed from a humble boiler-maker to a mini-giant which is currently dabbling in a host of seemingly unrelated areas.

Consider the statistics first. In 1981, Thermax was a Rs 25 crore turnover company with five divisions. In 1988, its turnover had jumped five

AGA WITH THE STAR PRODUCT REVOMAX



times and it had added five more divisions. The new areas: chemicals, chemical plant and processes, energy conservation, computer systems, and electronics. Besides this, it had the two new joint ventures in its stable.

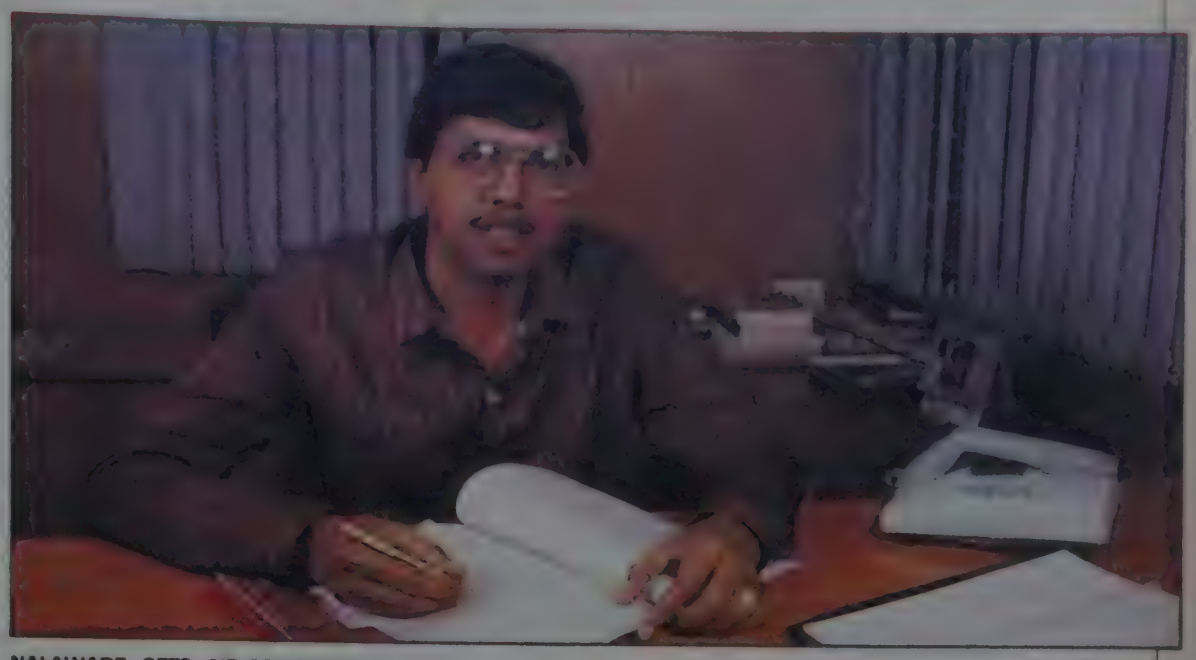
TECHNOLOGY HUNGRY

In keeping with the growth in its areas of operation, Thermax has enlarged its string of foreign collaborations. It currently has 10 of them, not to speak of other tieups which qualify only as technical associations and, of course, the recent marketing arrangement with Chesterton.

Foreign collaboration has been Thermax's way of consolidating its diversification drive. Whenever the company has hared off into some new area, it has roped in a foreign major for knowhow. "We are forever technology hungry," says Aga.

Aga denies that the company ever "hared off" into diversification, however much the outside world sees it that way. From boilers to bigger boilers was a logical step and, when the oil crisis of 1973 came along, moving into coal-fired boilers was but natural.

"Boilers need water, so water treatment equipment is vital," explains Abhay Nalawade, director (process heat division). "The market showed urgent need for it so we started making the equipment ourselves. In that sense, we have always been market-oriented, we have always been market-driven."



NALAWADE GETS AIR-CONDITIONING FROM WASTE HEAT

Water treatment requires chemicals, so Thermax promptly entered that arena also. In 1976, the company took over a small outfit styled Tulsi Fine Chemicals and its chemicals division was in business overnight. And, once in chemicals, why not chemical plants and processes? Inevitably, such a division was flagged off in 1985.

"There has always been some link," explains Nalawade. Surface coating started when a thermic fluid heater was adapted for paint drying. The division, started in 1979, has now given rise to Thermax DeVilbiss Pvt. Ltd.

From paint drying it was a short step to hot air generators for drying grains and seeds. That has today translated itself to complete silo systems for post-harvest needs.

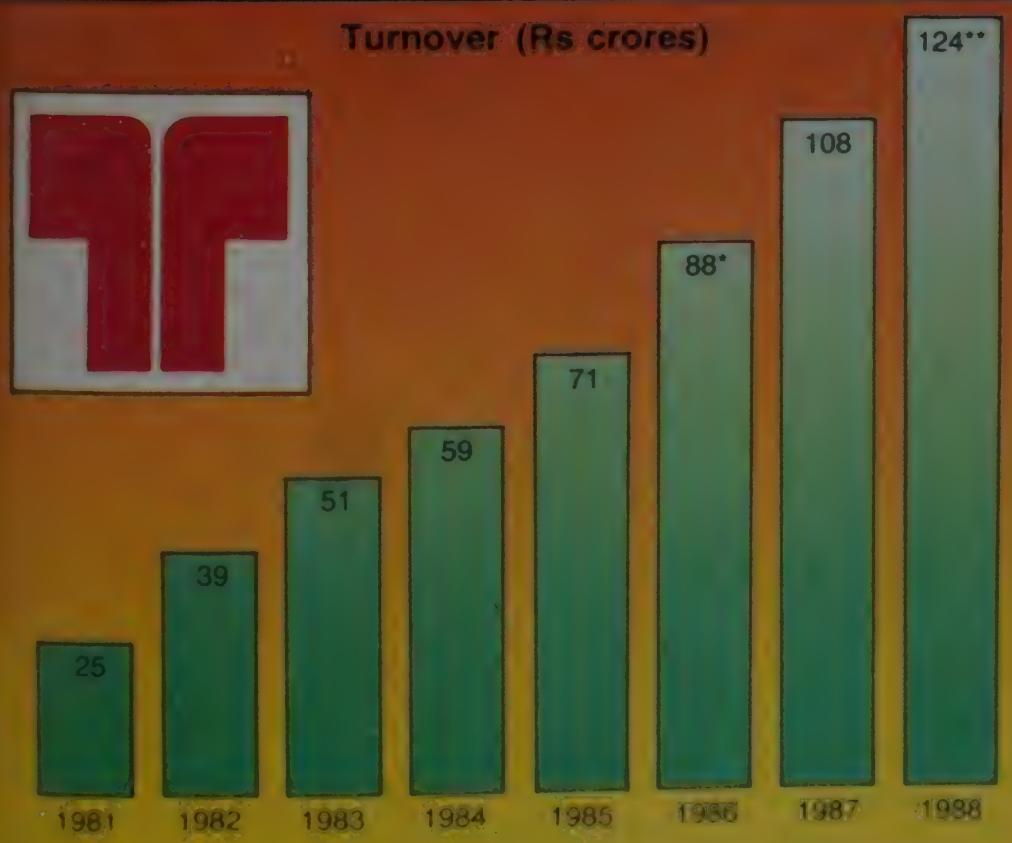
Other divisions also owe their origins to the rather wide interpretation Thermax puts to the stick-to-the-knitting motto. Being in coal combustion it went into air pollution control equipment and its heat generation activities inspired a heat recovery division to make energy conservation equipment. "Abroad, waste heat can be used for room heating," says Nalawade. "Here we use it for air-conditioning instead." Thermax has thus installed complete air-conditioning systems which run on the waste heat from captive diesel generating sets.

All these forays (software and electronics are the only two areas company executives admit were unrelated diversifications) may have had some links while at the starter's post. Today, however, they look a mixed bag indeed. Admits Aga: "We are practically 10 different companies."

BASIC MISSION

Understandably, the company's basic mission has had to be redefined again and again. "When we started, we were the boiler people," says Aga. "Then we repositioned ourselves to the processed heat peeople. Later still we were preserving the environment. But we added more divisions and..." Today, the Thermax buzzphrase is

THERMAX: GROWING APACE



"THERE IS SOME METHOD IN OUR MADNESS"

It has become an everyday affair at Thermax Pvt. Ltd. — the addition of one more foreign luminary to its stable of technology collaborators. That's in keeping with the character of Rohinton D. Aga, the company's 53-year-old chairman and managing director. Aga is a self-confessed "glutton for new technology." With the combined thrust of this technological edge, a focus on exports and a clear vision of where he is going, Aga has taken the company places — turnover in 1988 was Rs 113 crores. In an extensive interview with BusinessWorld, Aga talks about his aspirations and accomplishments. Excerpts:

■ On Thermax's basic corporate philosophy.

Basically, (our aim is) to do a good job and earn a profit at the end of the day. We enjoy challenges; we are at our best when we have challenges. We like new products — it gives us a kick. We make mistakes but we get over them. We believe in making a good product.

■ On Thermax's beginnings.

We started off in 1966 as Wanson (India) Pvt. Ltd., in technical collaboration with a Belgian company to make small packaged boilers. In due course, we went into other areas which needed heat. After the oil crisis of 1973, we saw an opportunity area; so we went into coal-fired boilers. Heat meant steam and, thus, water treatment. So we entered that area too. Coal meant air pollution — so we began making pollution-control equipment ... today we are practically 10 different companies.

■ On the logic behind the diversifications.

There is some method in our madness ... our diversifications were always linked, they were in areas in which we could draw upon some of our strengths. We would not, for instance, think about going into petrochemicals. There you need very expensive equipment, and political connections are very important ... we don't have them. Even in software and computers we had some reason for entering; we see them as areas of the future.

■ On the reason for the numerous foreign collaborations.

Why do we need to reinvent the wheel? Our objective has been to get the technology and then adapt it to Indian conditions. Our focus in R&D is not so much on research as on development and applications engineering.

■ On why there has been a trend towards setting up joint ventures with foreign companies.

We had a feeling that in certain areas we needed technology on an on-going basis — not a one-time purchase. Besides, we felt we needed some support in exports. Also, the Indian market is changing; foreign companies see a lot of scope here.

■ On the export thrust.

We took part in an exhibition in Delhi in 1973 where we displayed our hot air generator. A visiting Russian delegation wanted the full system for paint spraying and drying. Since then we have never looked back.

Six years ago we set up an office there. It is very difficult to get accreditation there, so other Indian companies asked us to help out. There was a lot of temptation to go into garments, shoes, even crabs. But we stuck to engineering goods. This year we will export Rs 100 crores of other people's products. Our own exports will be Rs 16-17 crores.

In the past three-four years, we have also been exporting to East Africa, Europe and the US. There is a great potential but it is also very challenging. It is a very, very competitive business and an expensive presence.

■ On financial problems.

We've always had financial problems. We are a company with small beginnings, and we were growing fast. Finance became a big constraint in 1985-86.

We went in in a rather big way for projects. Earlier we were basically in products. We learnt the hard way that there is a technology in handling projects. We went in for fixed price contracts. Then the yen and the mark went up and ... we are wiser now. We have got over the crisis.

■ On other problems.

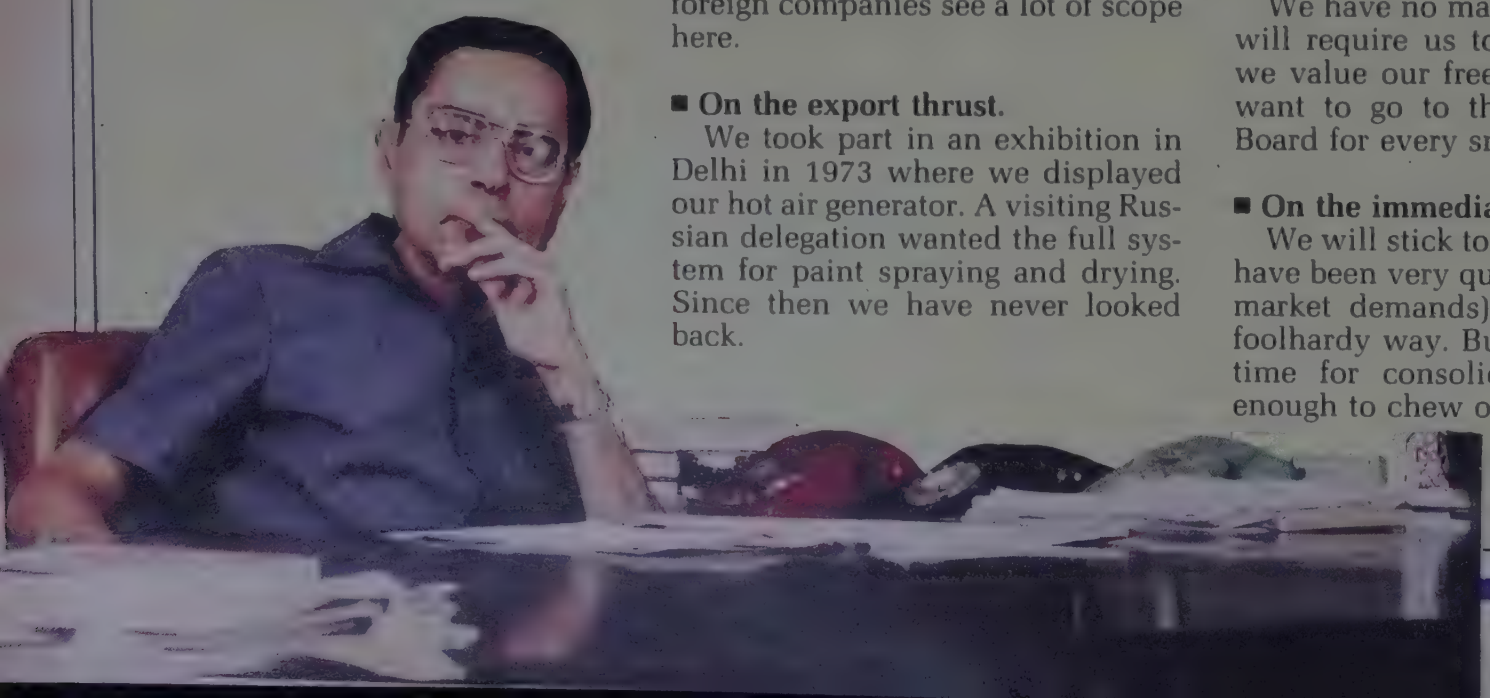
We have had people problems. People have egos and you have to satisfy them. We are now putting in a lot of time and effort into building up groups.

■ On plans to go public.

We have no major projects which will require us to go public. Also, we value our freedom — we don't want to go to the Company Law Board for every small thing.

■ On the immediate future.

We will stick to our strengths. We have been very quick to respond (to market demands), sometimes in a foolhardy way. But I see today as a time for consolidation. We have enough to chew on right now.



simple and suitably ambiguous. "It is just 'growing with a mission'," says Aga. "It doesn't straitjacket us."

The large dollops of knowhow from abroad did go some way in keeping different parts of the operational mosaic from going down under. What, however, kept them linked together was in-house development. Many of the diversifications would not have been possible if technology acquired for one purpose had not been adapted for another. Today, the company has a full-fledged methods engineering division whose main job is to locally develop machinery and equipment for diverse needs.

The methods engineering department has over the years chalked up quite a few successes. In the Thermax factory there is a lot of complex machinery, such as the shell corrugating machine that has been fabricated internally. "And at a fraction of the cost it would have taken us to import them," adds A.M. Nabar, the divisional manager who heads the department.

Nabar and his men are not just shopfloor craftsmen. They have constantly been going abroad to look at the best machinery available. "Obviously, they don't show us the plans," says Nabar. "But we get a look at the equipment from outside. We know what it does. So we come back and try to figure out how it works."

Such 'espionage' has paid a lot of dividends. (Aga, however, thinks that espionage is too glorified a term. "We do not sneak in with a concealed camera or something like that," he says). What it has, in sum, meant is that the company has been able to cut down on the cost of its diversifications. Which, in turn, has probably contributed to the number of its diversifications.

EXPORT THRUSTS

But the diversifications are not Thermax's only claim to fame. The company has emerged as a major force on the export front, picking up quite a few awards on the way. The big break came in 1973 when a visiting Russian delegation expressed interest in the paint booths on display in a Delhi exhibition. Thermax bagged an order for 10 such booths and since then there has been no looking back.

Thermax has gone batting for



RAMCHANDRA SEES NO FINANCIAL PROBLEMS

others too. After it opened an office in Moscow in 1984, a lot of other Indian companies approached it to help out with the redtape involved in exports to the USSR. This year Thermax expects the export of non-company products to cross Rs 100 crores. On its own it will chip in with about Rs 17 crores.

The Soviet Union has so far been the main destination but now Thermax is spreading its wings. A London office has been flagged off and the company has currently four sales and service centres abroad.

It is the service aspect which Thermax is trying to build up as its USP in its overseas forays. "We are setting up a service centre in Africa which will take care of not just our products but others' too," says Aga. The philosophy obviously is that if service is assured in a competitive market product sales will follow.

Service has been an area of attention at home too. In 1981, the company had just four sales and service centres in India. By 1988, it upped the figure to 11.

Thermax has tried out another gambit too — it has opened franchised service centres for its boilers. "We have more than 7,000 boilers in the field," says Aga. "And we are adding 700 every year. Servicing them is critical." Thus the company has roped in 17 qualified engineers, trained them and set them loose in different territories.

Franchising was a must because the company's own personnel had their hands full. Thermax has added to its battalion of engineers (it now has 925 compared to 350 in 1981). But it has added to its operations much faster. And the company believes in running a tight ship.

THE MILESTONES

1966 — Formation of Wanson (India) Pvt. Ltd. in collaboration with Wanson of Belgium to make coil type packaged boilers and thermic fluid heaters.

1973 — First export order from the USSR. Development of the Multitherm — the country's first packaged tube boiler for Indian coal and other solid fuels.

1975 — Diversification into manufacture of water treatment plants.

1976 — Takeover of Tulsi Fine Chemicals and, thus, commencement of the chemicals division.

1977 — Entry into manufacture of large field-erected boilers.

1979 — Diversification into surface coating with a fluid heater adapted for paint drying. Diversification into air pollution control equipment.

1980 — Renaming of Wanson (India) as Thermax Pvt. Ltd.

1981 — Commencement of heat recovery division to make energy conservation equipment.

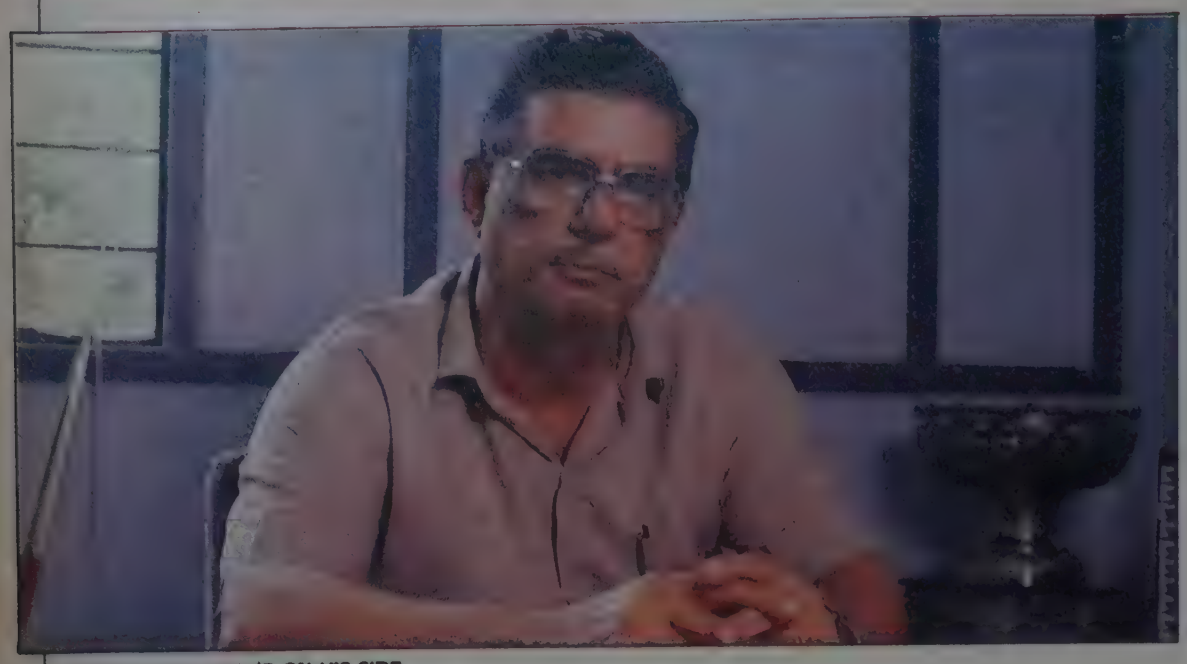
1983 — Entry into software and electronics. Entry into oilfield equipment projects.

1984 — Setting up of export office in Moscow.

1987 — Entry into alternative energy equipment.

1988 — Joint venture with DeVilbiss.

1989 — Joint venture with Babcock & Wilcox.



GAGRAT HAS LABOUR ON HIS SIDE

"We have not added to our worker strength in our Chinchwad factory (near Pune, Maharashtra) for the past three years," says B.F. Gagrat, director (manufacturing). "That is because of improved mechanisation."

But mechanisation alone has not been responsible for the improved productivity. Part of the credit must go to a novel productivity-linked earnings scheme which was introduced in late 1985.

"When we suggested the scheme, everybody said it would not work," says Gagrat. "The question was: how do you measure productivity in a fabrication shop?" A system, however, was worked out and, says Gagrat proudly: "The workers are all in favour of it now. We have proved that productivity does not mean slave driving."

If Thermax has had a placid time on the labour front (Aga points out that the company has not had a strike in its history), the same is not true at the executive level. "We have had people problems," says Aga. "People have egos and you have to satisfy them."

What happened in Thermax, as is often the case in fast-growing companies, is that the management structures and systems could not keep pace. "It is difficult to define what was going wrong," says Nalawade (quoted earlier). "But things didn't seem to be working. We were at cross-purposes."

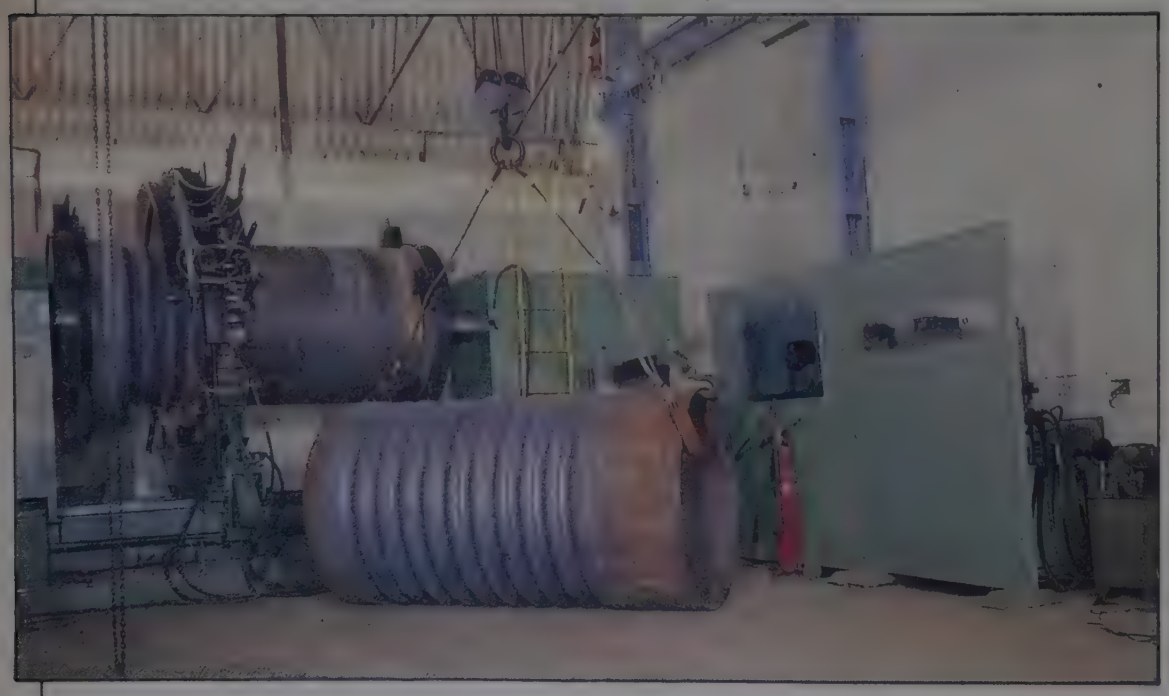
Thermax thus went on a major team building exercise starting with the process heat division, the biggest contributor to its kitty. "It was an elaborate exercise spread over four days," says Nalawade. "We got to know each other and our problems better."

What the exercise did was to pinpoint responsibilities and introduce a general awareness of what was possible and what was not. "We have always regarded people as our main asset," says Aga. "We had a problem and we responded." The team-building effort, which participants claim was a thumping success, is now being duplicated in other divisions too.

With its house currently in tiptop order, where does Thermax go from here? Aga would like to look upon the immediate future as a period of consolidation but there still are quite a few things cooking.

The two joint ventures (see *BW* 7-20 December 1988 and *BW* 29 March-11 April, 1989) seem to show that Thermax is taking a different growth tack. "There is nothing on the anvil right now," says Aga. "But we won't say no to other such ventures if they fit in with our scheme of things."

THE THERMAX-MADE SHELL CORRUGATING MACHINE



HONING SERVICES

On the marketing front, one of Thermax's traditional strengths, things are being honed up further. The focus now is on after sales service as the franchise network, which could be expanded shortly, indicates. The Chesterton tieup too, which has been flagged off under a new maintenance products division, is another step in this direction.

But what could prove a much bigger splash is Thermax's participation in Sam Pitroda's drinking water supply mission. Under Pitroda's scheme of things 123 village clusters will be provided desalination plants by March 1990. In the face of stiff competition, Thermax has bagged the contracts for 52 of these clusters.

"The value may not be very significant," says Aga. "But this is only the tip of the iceberg." True. While work has started at only 123 sites, the technology mission has identified 2.5 lakh problem villages. The eventual plan is to reach all of them.

If Thermax gets a substantial chunk of this cake, there will be no stopping its turnover from going at a faster gallop. Today its corporate slogan is 'growing with a mission.' Perhaps it might be more apposite for it to tomorrow read: 'Growing with a technology mission.'

■ *Parthasarathi Swami*

BAD DEBTS AND GOOD BANKING

Industrial sickness is a disturbing subject. Despite the serious attention being lavished on the problem at the highest level, it has proliferated and threatens to cripple a large part of precious productive capacity in the country. Such immobilisation of scarce resources has a multiplier effect, not least of which is its impact on the banking sector. As loans degenerate into non-performing assets, banks face not only a cut in their profitability, but also the ominous prospect of having to put in fresh money in the doubtful quest of recovering bad old debt. The question that, however, needs to be asked is whether the lenders are as hapless as it is commonly believed.

In the 1986 budget, the government had proposed the setting up of an autonomous board to formulate revival schemes for revivable sick units. Since then, the Board for Industrial and Financial Reconsturction (BIFR) has come a long way in getting to understand the complexity of the revival process. And, in all fairness, it must be said that the BIFR has used its quasi-judicial status to galvanise conflicting interests into supporting *prima facie* viable revival packages in many instances. By and large, the proceedings have been tortuous. Interested parties, including the lenders and the state governments concerned, have been found to be reluctant to support the rehabilitation effort by resisting tax concessions and fresh funding support, only to fall in line under duress.

If banks today have, willy-nilly, to throw in more good money after bad, they have only themselves to blame. For, the fact is that in a large number of cases, they handed over loans far too easily in the past. That wasn't a bad thing in itself; what was, was the fact that they were unperturbed over the misuse of funds lent, whether through mala fide motives or through abject incompetence. Often the realisation that the loans could turn into doubtful debts surfaced only after these had virtually gone bad. That the lender has a prerogative to know where — and how safe — his money is, is often lost sight of.

Given the increasing pace of technological obsolescence and the emergence of a competitive marketplace, the transition from profits to losses for industrial enterprise is becoming abrupt. Banks, thus, need better reflexes than ever before to ward off the threat of loan writeoffs. Simultaneously, external pressures are mounting on banks to shore up their balance-sheets so that they retain some semblance of international acceptance.

As it is, the cost of priority sector lending for banks is overwhelming. The populist slogan of some state governments in support of mass scale writeoffs of farm loans is putting tremendous pressure on the banking system. Over and above this, if banks have to relinquish some of their large industrial loans, the proliferating infirmity may soon engulf the weaker segment of the banking industry, leading to an erosion in public confidence in the financial system.

It has now become imperative for banks and financial institutions to reassert their authority and set minimum performance standards for their borrowers. Otherwise, they will put themselves on the road to ruin

On the external front, thanks to the mass collapse of banks in the United States and the Latin American debt crisis, the Bank of International Settlements, set up to be a central banks' banker, has come out with stiff norms for capital adequacy. Unlike in the past, all off-balance-sheet items like contingent liabilities will henceforth require capital backing. Overall, the new norms demand a much higher level of capitalisation for banks which wish to be recognised as a part of the international banking fraternity.

By international standards, Indian banks suffer from grossly inadequate capitalisation. Owing to a multitude of factors like subsidised social lending, operational inefficiency, unremunerative branch expansion and the absence of a bottomline orientation, their profit performance has also been poor. Further the accounting standards applied to debt provisions are generally held to be charitable and, hence, suspect. Against such formidable adversities, large knocks in the form of loan losses in the industrial sector can indeed put some of the banks in a critical condition, calling for intensive care.

Against this backdrop, it has become imperative for banks, as also for the financial institutions, to reassert their authority and set minimum performance standards for their borrowers. If these are not achieved, they ought to stop accepting excuses and must apply pressure to either force the borrowers to improve their performance or sue them for foreclosure.

In an economy characterised by scarcity of resources, it is always debatable whether institutional lenders should cut off the supply line because of its implications for employment and production. But two major benefits should not be lost sight of. First, the additional resources required to bail out sick units could be put to alternate uses, which should more than offset the adverse impact of such difficult decisions. Secondly, it will signal a change of role for banks: from being passive, albeit reluctant, onlookers, they will become aggressive decision-makers. The underlying message will not be lost on complacent borrowers who have habitually taken the banks for granted.

Such a transformation is normally catalysed by business pressures and calls for a degree of maturity. Clearly the environment is pushing the banking system towards a more proactive role in preventing a further erosion in industrial health. Hopefully, banks will be mature enough to recognise that the concept of liberalisation is not meant to be extended to commercial credit: Otherwise, it will be an affront to the public confidence reposed in the banking system.

■ *Deb Choudhury*

The author is a senior executive with a foreign bank

CANARA BANK

1988-89

- a period of outstanding allround achievements

PERFORMANCE HIGHLIGHTS

* **Owned funds of the Bank shot up to Rs. 344.0 crores.**
  - Accretion of Rs. 100.0 crores. — **- Highest among Nationalised Banks.**
* **Owned Funds to Deposit Ratio: 3.7%.** — **- Highest among Nationalised Banks.**
* **Reserves of the Bank exceed Rs. 295.0 crores.**
  - Accretion of Rs. 95.0 crores. — **- Highest among Nationalised Banks.**
* **Amount of Dividend Rs. 8.74 crores**
  - Rate of Dividend : 21%. — **- Highest among Nationalised Banks.**
* **Net Profit jumped to Rs. 55.0 crores.** — **- Highest among Nationalised Banks.**

BALANCE SHEET AS AT 31-3-1989
STATEMENT OF POSITION - CONDENSED VERSION

CAPITAL AND LIABILITIES

(Rs.in Crores)

31st December 1987		31st March 1989
41.50	Capital (Paid Up)	**48.95**
200.00	Reserve funds & other Reserves	**295.00**
7,878.43	Deposit & other accounts	**9,340.65**
1,059.22	Borrowing from Banks & Agents etc.,	**913.74**
118.00	Bills Payable	**234.28**
390.91	Bills for collection As *per contra*	**514.30**
319.05	Other liabilities	**407.86**
884.75	Acceptance, Endorsements, etc., *per contra*	**1,302.63**
44.97	Profit for the year 54.94	
30.00	Less transferred to Reserve Funds & other Reserves. 40.00	
8.50	Transferred to contingency 6.20	
6.47	Balance transferred to Central Govt.,	**8.74**
10,898.33		**13,066.15**

PROPERTY AND ASSETS

(Rs. in Crores)

31st December 1987		31st March 1989
1,563.22	Cash in hand and with Banks	**1,531.54**
10.00	Money at Call & Short notice	**41.00**
2,722.22	Investment in Govt. & other Securities	**3,068.77**
4,659.28	Advances	**5,801.95**
390.91	Bills for collection As *per contra*	**514.30**
884.75	Acceptance, Endorsements etc., *per contra*	**1,302.63**
58.22	Premises	**67.15**
44.58	Furniture & Fixtures	**51.85**
565.15	Other Assets	**686.79**
(Negligible)	Non-Banking Assets	**0.17**
10,898.33		**13,066.15**

INNOVATIVE SCHEMES LAUNCHED : **Farmers Green Card, Hari Kalyan Yojana, Agricultural Consultancy Cell, Loans to pensioners.**

मेरा भारत महान

CANARA BANK
(A Govt. of India Undertaking)
Head Office, Bangalore 560 002

JAWAHARLAL NEHRU CENTENARY 1889 1989

BEYOND BIGNESS - A CONCERN FOR PEOPLE

Nelson/023

SAKTHI PLANS TO PLAY BROKER

Madras-based Sakthi Finance is planning an entry into share broking services. A subsidiary, Sakthi Financial Services (Cochin) Pvt. Ltd. has been floated with the idea of offering portfolio management and investment counselling services in future. The subsidiary is seeking to get admission in the major stock exchanges.

Sakthi has performed creditabily during the year ended 31 March 1989 and has emerged as the largest single mobiliser of public deposits among all hire purchase and lease finance companies. Its deposits grew 58% to Rs 68.05 crores. Total advances, consisting of stock-on-hire, leased assets and other loans and advances jumped 52% to Rs 81.25 crores. The company's gross profit spurted 56% to Rs 19.47 crores. The directors have declared a final dividend of 12%, which along with the interim dividend of 12%, means that annual dividend has been maintained at 24%.

The management has set a deposit target of Rs 100 crores for the current year.

TWO FUNDS TO BE MERGED

The national equity fund operated by the Industrial Development Bank of India (IDBI) has so far failed to live up to expectations. The fund, with a corpus of Rs 10 crores contributed equally by the government and the IDBI, was intended to provide a fillip to the development of small industry.

Now, with the introduction of a bill in parliament to set up the Rs 2,000 crore Small Industries Development Bank of India, the national equity fund is expected to receive a boost. The equity fund and the IDBI-operated Rs 2,500 crore Small Industries Development Fund are proposed to be merged with the finance portfolio of the Small Industries Development Bank.

INDIAN BANK'S GROWTH IMPULSE

The Indian Bank is setting ambitious targets for itself. It hopes to build up Rs 7,000 crores of global deposits (i.e. domestic plus international) in the current year. The bank expects to chalk up a foreign trade-related turnover of



GOPALAKRISHNAN HAS SET AMBITIOUS TARGETS

Rs 3,000 crores, with export business accounting for half that amount.

The bank is expanding its branch network and working on proposals to set up a subsidiary for merchant banking and leasing apart from one for providing housing finance. A model project covering 9,001 villages adopted by the bank is expected to take off soon. Loans aggregating to Rs 286 crores are proposed to be advanced for various purposes in these villages.

M. Gopalakrishnan, chairman and managing director of the bank, disclosed that the bank would first carry out an intensive survey of 312 villages. Based on the findings, it would draw up a plan for the development of each village over a three-year period. A rural family credit card will be issued to each household to obtain credit from the bank, said Gopalakrishnan.

HDFC PERFORMS BETTER

In the nine months ended March 1989, the Housing Development Finance Corporation (HDFC), the largest private sector housing finance agency, approved and disbursed Rs 333.30 crores and Rs 255.21 crores worth of loans respectively. The annualised growth in approvals was 46% and that of disbursements was 45%.

Profit before tax was Rs 17.20 crores (Rs 17.09 crores in the previous 12 months). After providing Rs 2.70 crores for tax (Rs 4 crores) and transferring Rs 11.70 crores to reserves (Rs 9.69 crores), a dividend of 14% (18.7 % annualised) has been recommended.

A FACILITY FOR EXPATRIATES

Andhra Bank has joined hands with the Kuwaiti Bahrain International Exchange Co., Kuwait, to facilitate remittances of expatriates working in West Asia. This is perhaps the first time the Reserve Bank of India has okayed a tieup after it had imposed a ban some years ago.

The tieup is considered apt for Andhra Bank since Andhra Pradesh has one of the largest number of expatriates working in West Asia.

PAWAR'S ALLEGATIONS

Maharashtra chief minister Sharad Pawar has charged the Reserve Bank of India and the National Bank for Agriculture & Rural Development (Nabard) with trying to "throttle" the debt relief policy of the state.

According to Pawar, the implementation of the policy, which was introduced to bring stability and prosperity to the state's farmers, was being obstructed by the two apex financial institutions. He said that to combat this hindrance by these banks, the state government has started diverting its deposits from nationalised banks to state cooperative banks.

IDBI ENTERS EURODOLLAR MARKET

The Industrial Development Bank of India (IDBI) has made its maiden entry into the Eurodollar market with a fixed rate bond issue of $100 million (Rs 160 crores). The seven-year bonds, guaranteed by the government of India, were issued at 100.25% and carry a coupon rate of 10% per annum.

The proceeds of the issue will be used to meet the foreign currency requirements of industrial concerns. With this bond issue, IDBI has raised foreign currencies equivalent to $1.4 billion (Rs 2,240 crores).

BUSINESSWORLD STOCKMARKET TABLE

	INDUSTRY/COMPANY	FACE VALUE (Rs)	YEAR ENDED	SALES (Rs crores)	EQUITY CAPITAL (Rs crores)	COMPOUND GROWTH OVER 5 YRS (%) IN EARNINGS	COMPOUND GROWTH OVER 5 YRS (%) IN DIVIDENDS	EPS (Rs)	P/E 9 JUNE	P/B.V 9 JUNE	PAYOUT	SHARE PRICE 9 JUNE (Rs)	MK.CAP 9 JUNE (Rs crores)	%CH.CAP Over 26 MAY
I.	**AUTO ANC & TYRES**													
1.	CEAT	10	30/06/88	364.38	14.76	41.22	20.49	13.60	9.93	2.72	0.15	**135.00**	199.26	- 1.82
2.	CHLORIDE	10	31/12/88	188.40	20.66	13.29	17.42	5.05	16.63	4.67	0.61	**84.00**	173.54	0.00
3.	MICO	100	31/12/88	228.26	38.05	17.48	11.48	38.79	16.11	2.54	0.36	**625.00**	237.81	7.76
4.	MODI RUBBER	10	30 04 88	400.13	14.53	23.21	4.76	10.20	8.33	2.20	0.18	**85.00**	123.52	10.53
II.	**BASIC CHEMICALS**													
5.	NOCIL	100	31/12/87	288.10	36.00	49.84	16.14	48.22	18.82	3.57	0.41	**907.50**	326.70	13.44
6.	TATA CHEM	10	31/03/88	230.40	36.19	- 8.63	27.27	2.03	57.88	2.28	1.48	**117.50**	425.23	1.29
III.	**BASIC METALS**													
7.	HINDALCO	10	31/12/87	372.05	17.81	39.94	9.89	11.48	24.39	6.53	0.15	**280.00**	498.64	- 2.61
8.	INDIA FOILS	10	31/03/89	112.10	4.38	13.41	- 2.66	4.93	18.26	1.99	0.19	**90.00**	39.42	1.41
9.	MUKAND	10	30/06/88	303.02	14.74	20.11	12.76	8.08	14.73	7.73	0.21	**119.00**	175.41	3.03
10.	TISCO	100	31/03/88	1526.78	155.89	8.51	14.28	59.11	23.01	3.19	0.33	**1360.00**	2120.10	7.94
IV.	**CEMENT**													
11.	ANDHRA CEMENT	10	31/03/88	43.55	11.94	N.A.	- 100.00	- 11.93	- 0.86	1.32	0.00	**10.25**	12.24	- 6.78
12.	ACC	100	31 07 88	798.13	55.96	19 68	3.67	12.24	26 43	0.88	0.64	**323.50**	181 03	1.09
V.	**CHEM INTERMEDIATES**													
13.	BASF	10	31/12/87	59.30	4.26	10.15	15.88	4.83	30.85	4.54	0.28	**149.00**	63.47	1.36
14.	COLOUR CHEM	100	31 03 88	86.51	7.94	10.81	4.63	37.53	13.19	1.95	0.53	**495.00**	39.30	0.00
15.	DEEPAK NITRITE	10	31 10 87	23 60	2 43	10 30	5.05	3.99	17.54	2.64	0.36	**70.00**	17.01	4.48
VI.	**COMM VEHICLES**													
16.	BAJAJ TEMPO	10	30 09 87	152.91	6.58	- 25.31	4.06	2.64	50.19	1.80	0.47	**132.50**	87.19	- 12.39
17.	MAH & MAH	10	31 10 87	599.28	19.26	1.11	9.40	5.76	16.58	2.06	0.38	**95.50**	183.93	0.00
18.	TELCO	100	31/03/88	1402 55	104 62	4.92	12.24	25.76	30.18	2.87	0.48	**777.50**	813.42	- 1.89
VII.	**CONS DURABLES**													
19.	ASIAN PAINTS	10	31/12/87	201.72	12.45	32.95	30.02	10.07	18.99	5.26	0.30	**191.25**	238.11	7.75
20.	PEICO	10	31/12/87	385.93	33.32	1.54	- 8.12	1.04	20.67	1.10	0.96	**21.50**	71.64	2.39
21.	VIP INDUSTRIES	10	31 07 88	67.42	5.99	- 4 21	N A.	1.22	13.11	0.85	1.23	**16.00**	9.58	- 7.26
VIII.	**COTTON TEXT**													
22.	CENTURY SPG	100	31/12 88	521 27	26.62	15.65	14.96	97.82	18.91	3.14	0.31	**1850.00**	492 47	- 0.27
23.	MADURA COATS	10	30/06 88	258.49	21.81	11.31	15.56	6.49	15.87	3.55	0.46	**103.00**	224.64	2.74
24.	RAYMONDS	10	31/03/88	235.71	22.48	15.95	34.70	3.43	23.62	2.61	0.73	**81.00**	182.09	0.94
IX.	**DOMES CONS PROD**													
25.	COLGATE	10	31/12/87	182.20	15.72	27.89	24.19	9.63	34.53	16.91	0.52	**332.50**	522.69	- 1.48
26.	HINDUSTAN LEVER	10	31/12/88	1001.78	93.32	11.61	23.44	5.23	16.92	4.08	0.61	**88.50**	825.88	6.63
27.	ITC	10	30/06/88	1190.45	33.17	20.17	13.21	7.47	15.39	4.14	0.47	**115.00**	381.46	15.00
28.	McDOWELL	10	30/06 88	157.19	7.74	- 1.73	39.89	9.23	9.21	1.60	0.18	**85.00**	65.79	- 15.00
29.	RECK & COLMAN	10	03/01/89	71.39	8.40	25.00	27.05	8.10	24.23	7.46	0.37	**196.25**	164.85	2.75
X	**ELEC. ENGG**													
30.	BEST & CROMP	10	31/12/87	169.21	7.09	- 20.75	- 7.07	1.10	33.64	1.01	0.58	**37.00**	26.23	- 7.51
31.	FINOLEX CAB	10	30/11/87	68.84	3.24	50.69	32.42	25.22	13.28	6.51	0.09	**335.00**	108.54	2.29
32.	GENELEC	10	30/06/88	52.70	2.16	12.13	- 0.86	6.48	5.40	0.99	0.23	**35.00**	7.56	- 17.65
33.	OTIS	10	30/11/87	54.28	5.04	18.55	15.36	7.58	26.06	6.79	0.33	**197.50**	99.54	- 3.66
34.	SIEMENS	10	30/09/88	223.00	20.77	4.23	11.29	3.27	21.71	1.86	0.49	**71.00**	147.47	0.00
XI	**EQUIP MANUF**													
35.	INGERSOLL	10	31/12/87	77.14	7.89	21.93	15.81	10.99	35.94	10.67	0.27	**395.00**	311.66	11.27
36.	KIRLOS CUMM	10	30/09/88	186.20	26.40	6.01	20.56	4.32	17.65	2.92	0.52	**76.25**	201.30	1.67
37.	MATHER & PLATT	10	30/06/88	46.92	10.24	15.18	16.31	3.60	12.22	2.69	0.43	**44.00**	45.06	4.77
XII.	**FERTILISER**													
38.	GSFC	10	31/12/87	357.40	26.94	23. 47	15.88	13.07	11.48	2.05	0.23	**150.00**	404.04	1.69
39.	SPIC	10	31/12/87	391.00	34.42	- 23.16	N.A.	1.47	38.44	1.92	1.01	**56.50**	194.47	7.61
XIII.	**FOOD PROD**													
40.	BRITANNIA	10	30/11/87	192.10	12.38	23.92	16.60	6.37	14.72	3.48	0.38	**93.75**	116.06	1.34
41.	BROOKE BOND	10	30/12 88	639.94	24.73	24.33	15.97	9.84	14.84	5.10	0.38	**146.00**	361.06	0.69
42.	HIND COCOA	10	30/06/88	73.70	8.40	16.55	21.10	4.45	24.27	5.06	0.45	**108.00**	90.72	5.88

MODEST RECOVERY

Led by Tata Steel, equities staged a modest recovery during the fortnight ended 9 June. Lower contango charges at 21% per annum and brisk buying by the financial institutions in select shares cheered the markets. Reports about the timely onset of the monsoons in many parts of the country bolstered the trend.

Reflecting this upward trend in equities, *The Economic Times* index for ordinary shares rose from 384.8 on 26 May to 389 on 26 June — a gain of 1.09%. Likewise the *Financial Express* equity index moved up from 564.79 to 575.79. The *BusinessWorld* index rose from 194.02 on 26 May to 199.52 on 9 June.

The highlight of trading during the fortnight was the unexpected rise in Tata Steel shares. The price shot up from Rs 1,265 to Rs 1,365 on hectic bear covering and renewed institutional support following news that the Rs 100 shares would soon be split

BUSINESSWORLD STOCKMARKET TABLE

	INDUSTRY COMPANY	FACE VALUE (Rs)	YEAR ENDED	SALES (Rs crores)	EQUITY CAPITAL	COMPOUND GROWTH OVER 5 YRS (%) IN EARNINGS	IN DIVIDENDS	EPS (Rs)	P E 9 JUNE	P B V 9 JUNE	PAYOUT	SHARE PRICE 9 JUNE (Rs)	MK CAP 9 JUNE (Rs crores)	%CH CAP Over 26 MAY
XIV.	**HEAVY ENGG PROJ**													
43	ELECON ENGG	10	31 12 87	113.00	5 65	0 89	13 60	4 60	14 46	1 24	0 33	66 50	37 56	3 90
44	GAMMON	10	30 07 88	103 22	2 16	1 84	2 38	2 73	40 29	1 50	0 66	110 00	23 76	0 00
45	HIND DORR	10	30 11 87	42 66	2 38	25 48	14 03	16 43	8 67	2 56	0 23	142.50	33 92	9 63
46	ALFA LAVAL	10	30 11 87	51 00	5.21	15.13	15.63	5.37	25 14	3 47	0 34	135.00	70 34	22 74
XV.	**LIGHT ENGG**													
47	SKF BEARING	100	31 12 87	83 86	24 70	15 64	7 60	43 89	29 62	5 82	0 25	1300 00	321 10	3 70
48	BHARAT FORGE	10	30 09 87	120 10	11 42	33 86	6 63	5 76	17 80	3 07	0 22	102 50	117 06	2 38
49	IND OXYGEN	10	30 09 87	131 00	14.60	-9.51	1 03	2 16	22 45	2.28	0 74	48.50	70 81	-3 96
50	SANDVIK ASIA	100	31 12 88	45.81	5.78	9.31	12.33	46.89	13 86	2 58	0.53	650.00	37 57	-3 72
XVI.	**MULTI PRODUCTS**													
51	ICI	10	30 09 87	478 41	40 87	17 55	3 37	1 24	44 35	1 95	1 06	55.00	224 79	0 00
52	LARSEN & TOUBRO	10	30 03 89	1085 00	68 75	6 68	16 70	4 16	20 91	1 88	0 48	87.00	598 13	1 14
53	RALLIS	10	31 05 88	261 66	9 52	14 72	20 80	4 86	26 75	3 24	0 62	130.00	123 76	10 34
54	VOLTAS	100	31 08 88	544 70	12 78	16 68	12 34	75 89	9 49	2 09	0 29	720.00	92 02	10 77
XVII.	**PASS VEHICLES**													
55	BAJAJ AUTO	10	30 06 88	552 83	18 82	30 54	28 68	15 54	24 13	3 27	0 26	375.00	705 75	1 69
56	KINETIC ENGG	10	30 06 88	101 91	1 20	22 51	21 92	31 33	5 90	1 15	0 13	185.00	22 20	4 23
57	HIND MOTORS	10	31 03 88	429 99	26 41	N A	7 20	1 02	37 75	1 29	0 74	38.50	101 68	2 53
XVIII.	**PEST & AGROCHEM**													
58	BAYER	100	31 12 87	111 70	16 22	9 38	12 80	27 19	29 79	4 80	0 59	810.00	131 38	2 41
59	SEARLE	10	31 12 87	35 00	5 22	35 23	20 34	5 34	21 54	2 95	0 25	115.00	60 03	6 97
XIX.	**PHARMA**													
60	GLINDIA	10	30 06 88	230 13	20 00	14 50	8 10	5 08	18 90	4 03	0 39	96.00	192 00	2 67
61	HIND CIBA	100	31 12 87	176 80	17 71	6 26	13 26	38 17	24 63	3 37	0 52	940.00	166 47	3 10
62	HOECHST	100	31 12 87	158.81	9.58	-16.27	-6 52	13 67	56 69	2 09	0 73	775.00	74 25	1.31
XX.	**PLANTATIONS**													
63	ASSAM CO	10	30 06 88	46 88	7 00	39 73	42 02	7 59	18 45	3 54	0 53	140.00	98 00	-1 75
64	McLEOD RUSSEL	10	30 06 88	61 50	6 25	34 22	24 65	10 32	10 42	2 35	0 35	107.50	67 19	-4 44
65	TATA TEA	10	31 03 89	231 43	17.09	26 21	N A	7 99	18 90	3 38	0 50	151.00	258 06	1 95
XXI.	**PLASTICS & PAPER**													
66	BALLARPUR	10	30 06 88	371.00	13.98	-3.45	-1.17	3.44	56.69	3.36	0.64	195.00	272.61	0.00
67	BHADRACHALAM	10	30 03 89	101.07	10.57	-5.52	9.52	3.79	26.12	3.44	2.00	99.00	104.64	31.99
68	GARWARE POLY	10	30 06 88	102 82	10.94	19.25	23.48	5.29	12.85	2.10	0.29	68.00	74.39	0.73
69	SUPREME IND	10	30 06 88	68.92	1.80	32.68	31.43	18.67	12.19	4.99	0.19	227.50	40.95	9 64
XXII.	**POWER GENERATION**													
70.	CAL ELEC SUPP	10	31 03 88	358.72	16.95	9.44	10.82	4.93	6.29	0.62	0.32	31.00	52.55	36.28
71.	TATA POWER	100	31 03 88	342.42	20.00	14.09	11.91	86.10	3.83	0.69	0.21	330.00	66 00	1 54
XXIII.	**SERVICE IND**													
72.	EAST IND HOTELS	10	31 03 88	80.25	23.61	1.77	3.69	2.94	18.37	2.01	0.52	54.00	127 49	-6.90
73.	HDFC	100	30 06 88	106.20	19.79	33.12	27.37	65.45	3.51	1.06	0.26	230.00	45.52	4.55
74.	20TH CENT FIN	10	30 03 88	26.35	8.88	24.30	32.06	4.00	6.13	1.08	0.55	24.50	21.76	-1.98
75.	TATA UNISYS	10	31 12 87	27.12	4.38	-1.18	12.19	3.54	21.19	4.11	0.62	75.00	32.85	-3.24
XXIV.	**SHIPPING**													
76.	ESSAR SHIP	10	31 12 87	60.50	33.42	8.46	25.04	2.33	9.76	1.07	0.86	22.75	76.03	2.25
77.	GR EASTERN	10	30 06 88	112.55	55.66	12.54	7.85	1.69	23.58	2.34	0.51	39.85	221.81	-2.20
XXV	**SYNTHETIC TEXTILES**													
78.	CENTURY ENKA	100	31 12 88	308.79	16.61	37.53	20.82	223.24	11.60	3.85	0.19	2590.00	430.20	4.23
79	GRASIM	10	31 03 88	675.67	37.78	16.35	6.46	4.39	26.20	2.90	0.36	115.00	434.50	-5.74
80.	RELIANCE	10	31 06 88	1778.19	152.04	15.36	42.28	3.45	34.78	1.80	0.70	120.00	1824.48	0.84
	TOTAL			23703 40	1812.45								18463 74	

BUSINESSWORLD INDEX (9 JUNE) = 199.52 26 MAY = 194.02 (BASE 29 JUNE 1987 = 100)

EPS EARNINGS PER SHARE P/E - PRICE EARNINGS RATIO P/B V - MARKET PRICE TO BOOK VALUE %CH CAP PERCENTAGE CHANGE IN MARKET CAPITALISATION

into Rs 10 ones. Besides, reports that the company is setting up a beneficiation plant for increasing its chrome ore production by 50% aided the scrip. As a result, basic metal shares ruled firm with the *ET* index for these scrips moving up from 702.2 to 716.4.

Fertilisers and chemicals shares showed a hardening trend following reports of good initial rains in Gujarat and Maharashtra. The *ET* index for these scrips advanced from 334 to 354. Cotton textiles shares looked up on investment buying and the absence of fresh offerings. The *ET* index for these scrips rose from 212.5 to 215.2 during the fortnight.

Engineering goods shares appreciated on fresh speculative support.

In sharp contrast, cement shares were subdued on reports that manufacturers had reduced the price of cement. And the *ET* index for these scrips moved down from 113,1 to 111.5.

■ *S. Dhruv*

PICKING NEW ISSUES

Vinyl Chemicals, a new company promoted by the Parekh group, maker of the 'Fevicol' brand of adhesives, is implementing a Rs 37.20 crore project to manufacture vinyl acetate monomer (Vam).

This makes Vinyl Chemicals the third company to manufacture Vam. It manufactures Vam directly from ethylene while the other producers, Polychem and Vam Organic Chemicals, employ the ethanol route.

Vinyl Chemicals has tied up with Uhde GmbH, a subsidiary of West German giant Hoechst, for technical knowhow. Udhe has been involved in setting up a number of similar plants all over the world. The company is importing part of the plant and machinery, the installation of which is expected to commence during the second half of 1989. It is expected to be commissioned during the first half of 1990. It will be located at Mahad in Maharashtra and will have a capacity of 10,000 tpa.

Out of the total project cost of Rs 37.20 crores, the equity component works out to Rs 12.90 crores (including 15% oversubscription). This is likely to go up by another Rs 3.46 crores to Rs 16.36 crores between November 1994 and October 1997 when the financial institutions convert a part of their term loans into equity.

Demand for Vam is expected to reach 39,000 tpa by 1991. Currently, Vam Organics is doubling capacity to 20,000 tpa. With Vinyl Chemicals' capacity at 10,000 tpa, there is enough room and profits for all the three outfits if the demand estimates for 1991 are realistic.

Besides, the Parekh group itself is one of the largest users of Vam, which is a basic raw material for the manufacture of adhesives and other allied products. A problem could, however, arise in transfer pricing for captive consumption.

The group's current turnover is around Rs 85 crores. Vinyl Chemicals has the disadvantage of having a large equity base compared to its competitors. After conversion, the equity base would go up to Rs 16.36 crores, which forms about 44% of the total project cost. At the same time, since group companies will consume quite a large chunk of the production, marketing should not be a problem.

The issue appears reasonably good from the long term point of view even though a maiden dividend seems unlikely before 1992.

Issue opening date: 27 June.

Sakthi Soya has been promoted by N. Mahalingam & Associates along with the Tamil Nadu Industrial Development Corporation in the joint sector.

Taking advantage of the stockmarket boom in 1985, many solvent extraction companies entered the capital market and received overwhelming responses to their issues. But soon thereafter the fortunes of the industry dipped and most of them went into the red. Share prices in most cases started quoting below par. Even at these low prices, buyers were difficult to find.

The industry is, however, seeing better times now, as evidenced by the results announced by Tri-Star Soya for the eight-month period ended 31 March 1989.

Sakthi Soya will be one of the first soya companies to enter the capital market after the situation has improved. The company is setting up an integrated soyabean processing complex with a capacity to process 90,000 tonnes of soyabean per annum. The products to be manufactured include edible refined soyabean oil (partially hydrogenated and winterised), edible soyabean flour, defatted soyameal, cattlefeed and other byproducts (soap sticks). The cost of the project is estimated at Rs 20.76 crores of which the equity component will be Rs 8.16 crores.

Further, ICICI and the financial institutions will have the option to convert 20% of their rupee term loans exceeding Rs 5 crores into equity shares at par between January 1993 and December 1995. The financial institutions have sanctioned term loans of Rs 10.50 crores. Thus Rs 1.10 crores would be added to the equity through conversion. The equity base appears large when compared to other units in the industry.

The fortunes of the industry are closely related to the availability of soyabean. The Sakthi group has, however, successfully experimented with soya as an 'inter-crop.' Here, soyabean is grown in three crop seasons along with other main crops like banana, cotton, sugarcane, coconut, tapioca, etc. Thus, the company hopes to have an uninterrupted supply of soyabean throughout the year. The breakeven level is placed at 40%.

The civil construction for the main factory buildings is nearing completion. The erection work of the oil refinery is expected to be completed by July 1989 and trial production should commence soon thereafter.

The Sakthi group has had a good track record. Its other group companies have done fairly well and have rewarded shareholders quite well. Based on the promoters' track record, the current issue appears good even though a maiden dividend is unlikely before 1992.

Issue opening date: 19 June.

For investors seeking good buys in the primary market, there are a couple of rights and public issues worth looking at

JBF Industries, promoted by Bhagirath Arya, manufactures different varieties of yarn chemicals. The company set up its first plant at Mahad (Maharashtra) in August 1985 to manufacture high value-added dyed yarn and fancy yarn. Its second plant came up in March 1987 at Silvassa to manufacture texturised and twisted yarn. A third one has been set up at Pondicherry with a licensed capacity to manufacture 8,000 tpa of trichloroethylene and its derivatives.

Commercial production commenced in March 1989. On the basis of installed capacity, the company will be the largest manufacturer of industrial solvents in the country. JBF has undertaken a comprehensive capital expenditure programme involving expansion and modernisation of its existing units at Mahad and Silvassa. The total cost is estimated at Rs 5.20 crores and the programme is expected to be completed by December 1989.

To meet the cost of the programme, the company is issuing 400,000, 12.5% fully convertible debentures aggregating Rs 7.20 crores. Each debenture shall have a face value of Rs 180 and will be converted into five equity shares of Rs 10 each at a premium of Rs 26 per share six months after allotment. The company hopes to retain oversubscription to the extent of 15%. The company has performed quite well financially with sales moving up to Rs 26.24 crores in 1988 from Rs 3.09 crores in 1986. While gross profit increased to Rs 2.96 crores (Rs 0.43 crores), net profit jumped to Rs 2.18 crores (Rs 0.31 crores). The performance for the first six months of the current year is equally good with sales at Rs 21.22 crores, gross profit at Rs 1.91 crores and net profit at Rs 1.41 crores. The last dividend paid was 22%.

The company's equity capital is Rs 1.95 crores, which will go up to Rs 4.27 crores after conversion. The present market price is Rs 57 while the conversion price works out to Rs 36. The issue appears good.
Issue opening date: 21 June.

JCT Ltd. (formerly known as Jagatjit Cotton Textile Mills) is a Thapar group company. Since 1952, JCT has been manufacturing cotton and blended textiles and cotton, nylon, polyester and partially oriented yarns. JCT also has four grinding factories. The company has also set up a joint sector venture, JCT Electronics, with the Punjab State Industrial Developmental Corporation as co-promoter.

JCT plans to set up a plant to manufacture shadow masks which are currently being imported by colour tube manufacturers. A technical knowhow agreement with BMC Industries Inc. (Buckbee Mears) of the USA, has already been signed. Also, in order to keep abreast of the latest technological developments and increase its production of fancy fabrics, the company has plans to instal 36 Sulzer looms and allied facilities at an approximate cost of Rs 30 crores.



The company is also upgrading its synthetic yarn division. It is setting up additional facilities and modifying the division to give it the flexibility to manufacture either nylon filament yarn or polyester filament yarn. This would entail an investment of Rs 25.25 crores.

JCT is also planning to instal two high-speed takeup machines and six draw texturising machines. This will increase the installed capacity of speciality yarns by 1,000 tpa. However, it is still within the existing licensed capacity. The project will cost Rs 25.15 crores.

Performance-wise, the company has done quite well, though erratically at times. The turnover of the company for the 18-month period ended 31 October 1988 was over Rs 273 crores and its reserves stood at Rs 61.33 crores against the equity capital of Rs 9.48 crores. Since 1979, JCT has made two issues of shares on a rights basis in 1980 and 1986 respectively.

JCT is now issuing 1.26 crore equity shares through a rights and public issue at a premium of Rs 30 per share. The company is going to spend over Rs 300 crores in the next five years on expansion and diversification projects. It expects to rake in a turnover of around Rs 300 crores in 1990-91. The last dividend paid was 40%. The issue appears good.
Issue opening date: 27 June.

Indo Rama Synthetics (India) has been promoted by the Indo-Rama group headed by M.L. Lohia, an NRI. The company has set up a spinning unit with 21,120 spindles to manufacture synthetic blended yarn at Pithampur in Madhya Pradesh at a cost of Rs 21.36 crores. The project has been implemented ahead of schedule and trial production has already begun. The plant is expected to attain 100% capacity utilisation during the first year of operation. The company plans to export at least 25% of its production.

In order to part-finance the project, the company is issuing 36 lakh equity shares of Rs 10 each at par. It hopes to achieve a turnover of Rs 25 crores for the year ending 30 June 1990 and earn a gross profit of Rs 3.5 crores. Nevertheless, it would be better for investors to follow a wait and watch policy till the results of operations in the first year are declared.
Issue opening date: 27 June.

■ *Clifton Desilva*

The author is a Bombay-based investment manager

OPPORTUNITY TO SELL

Equity values are looking up after a sustained downslide for nearly five weeks. During this period, the Bombay stock exchange (BSE) sensitive index hit a high of 781 only to drop 89 points to a new low of 692.

Stock values are evenly poised now and the technical position suggests that prices are likely to rise. This rise should be availed of to book higher profits and fresh buying should be avoided. The current stockmarket situation has foxed numerous observers and only investors with staying power should take positions, and that too in select counters.

Fundamentally, the flow of corporate reports has brought good tidings. The pressure of rights offers is also gradually diminishing. With the massive Tisco debenture issue being closed, disinvestment selling should also come to an end. Small investors will not be in need of resources now.

If the monsoons are normal, it will definitely add to the buoyancy. Though the political situation is stable, uncertainty looms in the form of elections. In such a situation, prudent investors should pick up fundamentally and technically strong shares. **Atlas Cycle Industries Ltd.** (sales: Rs 97.31 crores in the year ended 30 June 1988) is currently being quoted at Rs 112 on the BSE. The company is a leading bicycle manufacturer. It also makes mopeds which contribute about 9% to its turnover.

Atlas Industries has consistently improved its sales and profits over the last three years. The company's earnings per share (EPS) jumped from Rs 5.40 in 1986 to Rs 17.50 in 1987 and to Rs 19.20 in 1988. Profits too have zoomed in 1988 and the bottomline should improve further for the year ended 31 March 1989.

The company has been doing well on the export front too, registering a figure of Rs 1.75 crores in 1988. It is setting up three bicycle units overseas on a turnkey basis. The exports will help to reduce the impact of taxation and improve profitability.

Innovative marketing schemes like bicycle insurance have helped promote its cycles. Atlas is now poised to emerge as the country's largest bicycle producer with the completion of its bicycle unit at Sahibabad.

With a very low equity base of only Rs 1.15 crores, Atlas has reserves of Rs 13.93 crores and has been consistently paying a dividend of 20% since 1986. The company's share has a high book value of Rs 130.70.

The performance for the half-year ended 31 December 1988 is also good and the company's EPS may be about Rs 20 for 1988-89. The share can appreciate to at least Rs 150-170 based on the EPS. It is a good investment at current prices.



Share prices are evenly poised now, and they are likely to rise selectively. Investors should use this opportunity to book profits

Chokhani International Ltd. (CIL) went public in February 1989. The share has been recently listed on the BSE at only Rs 10.50. With an uninspiring name like Chokhani and the management unknown to the stockmarket, the issue had not evoked a good response.

The Chokhanis have a background in real estate. They have set up Chokhani International to provide drydock facilities for a variety of ships. The company has already secured land and water area from the Madras Port Trust. The drydock will have a facility to repair ships of up to 40,000 dwt.

Floating drydocks save time as there is flexibility in operations. CIL has entered into a collaboration agreement with Keppel Shipyard, Singapore. The foreign collaborator's vast experience should help Chokhani not only on the technical front, but also on the managerial front. The chief executive officer of Chokhani is from Keppel, which will also lend a hand in commercial operations for a period of five years.

Keppel has participated in the equity capital of CIL to the extent of 25%. Further, the company has been granted the status of a 100% export-oriented unit. This will help in improving the bottomline.

The company has already commissioned its facilities at Madras. Every year over 1,200 ships touch Madras port and over 200 Indian vessels go abroad for repairs. CIL, with an annual capacity to handle 120 vessels, should not face any problems. The share at Rs 10.50 appears to be a safe buy.

Now for some random advice. **Caprihans India** could report improved working and the counter may touch a high of Rs 70 soon. **Kirloskar Oil Engines** looks cheap at the current price of Rs 34. **Delton Cables** has announced good results and the counter may move up. **Mafatlal Dyes** at Rs 40 appears good. Both **Gujarat Carbon** and **Goa Carbon** are likely to appreciate.

It would be good to liquidate holdings in **Indian Organic Chemicals** at Rs 36. The company is likely to announce disappointing results and the share may slip considerably. **Kirloskar Cummins** and **Pfizer Ltd.** appear to be grossly overpriced and would be good sells. The **Colgate** counter, after the recent bonus issue, is unlikely to appreciate.

To sum up, the equity values are likely show an improvement selectively. One should book profits when opportunities present themselves.

■ *Gul Teckchandani*

The author is a Bombay-based financial consultant.

ALLWYN
QUARTZ



As individual as you are

You have your own sense of style, your own set of values. In a world driven by time, you stand apart by having time on your side...

The time-proven Allwyn Quartz collection. Created with the world's finest watch technology. Superior quartz movement encased in elegant gold or sleek stainless steel. Choose from the widest variety of over 250 models that dazzle the eye and imagination. Each as individual as you are.

Time for the ALLWYN

Manufactured under license from SEIKO





For Challenge

The challenge of meeting tomorrow's needs today.
The challenge of transcending the limitations of conformity.
The challenge of reaching out ever beyond... to expanding horizons.

For Cookson

Eyre Smelting is now Cookson India Limited

Cookson — Global Experience at Work

In recognition of its long association with Cookson, Eyre Smelting Limited now changes its name to become Cookson India Limited. All over the world,Cookson is acknowledged as a frontrunner in the field of technology-based speciality materials and components needed virtually by every industry. Today, Cookson operates throughout Europe, the USA, Canada, Mexico, Australia, Africa and countries of the Far East with over 120 subsidiaries in over 200 locations. In electronics and aerospace, construction and ceramics, casting and printing and in many other high growth industries, Cookson is playing a major role across the globe.

Eyre Smelting — A Special Indian Experience

Eyre Smelting started operations in India in 1931 to cater exclusively to the needs of the Indian Railways with special metals and alloys for specialised applications.

Innovating and progressing with the times, Eyre Smelting today is a trusted and respected source of a wide range of high precision metallic products for over 1500 customers in the electronics, automobile, printing, casting and construction industries. A financially sound organisation, Eyre Smelting experienced a 32% growth in sales during 1986-87 and announced 25% dividend.

Cookson India — Geared for Growth

Cookson's Indian operations will not only address the growth opportunities in the Indian market but also encompass the entire Asia-Pacific region. In fact, for Cookson, this marks the beginning of a major new drive.

The unprecedented boom in the Indian electronics industry has catalysed the need for speciality materials and components. In ceramics and high temperature refractories, and in aircraft-cleaning chemicals, Cookson India is poised to contribute in a major way, with its international expertise and Indian experience. Cookson India is all set to expand its horizons with hi-tech speciality inputs for hi-growth industries. Cookson India is all set to step into the future. All set to meet tomorrow's challenges today.

Cookson India Limited
(Eyre Smelting Division)

Speciality inputs for hi-growth industries

Your future with ITC



The opportunity to thrive on challenge. The joy of bringing out the best in you. The freedom to let your imagination take wing.

Yes, we are talking about your future. And what lies ahead if you join the Agri-Businesses Division of ITC.

Agri-Businesses. Three years old, and already a success story. A modern processing plant. Extensive research in the areas of oilseeds, cereals, pulses and vegetable seeds. With know-how from companies and universities of international renown. Exciting pioneering work and the promise of breakthroughs.

Our future lies in a range of hybrid and high-yielding seeds, high quality branded edible oils, innovative packaging and export of agri-products. You can be an important part of it.

We are looking for senior professionals to head operations in

- Plant Breeding and Agronomy
- Oils and Fats Processing Technology
- Commodity Trading
- Exports
- Edible Oils and Seeds Marketing

If you are considering a challenging career with ITC, a Company which is a leader in cigarettes and tobacco, paper and board, packaging and printing, tourism, hotels and exports, write in confidence to:

Feroze Vevaina
Director, ITC
Chairman, Agri-Businesses Division
ITC Limited
37 Chowringhee
Calcutta 700 071

I.T.C. LIMITED
AGRI-BUSINESSES DIVISION

The future belongs to those who can change it

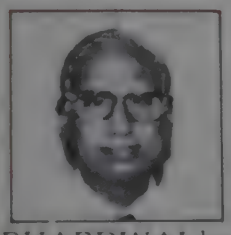
HTA 3721



S.K. DHAR has been promoted to the post of vice-president at Dunlop. Earlier, he was company secretary.



C.B. CHANDORKAR has been appointed the regional chief of the western region. Bureau of Indian Standards



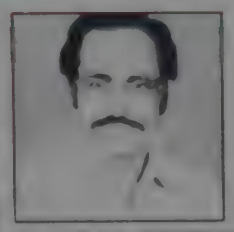
I.S. BHARDWAJ has been appointed director (research & development) of Indian Petrochemicals Corporation Ltd.



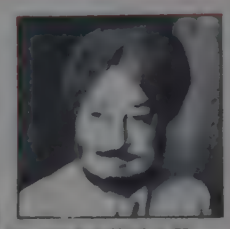
K. MARGABANTHU has taken over as managing director of the State Bank of Saurashtra.



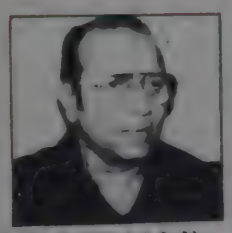
N. CHANDAR has been appointed director (finance) of Indian Petrochemicals Corporation Ltd.



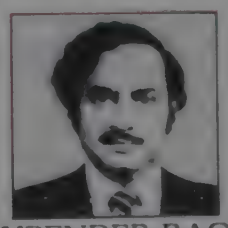
B.K. CHATTERJEE has joined Usha Martin Industries Ltd. as vice-president (corporate planning and systems).



S.S. KANWAR, vice-chairman of Raunaq Enterprises, has been elected vice-president of the PHD Chamber of Commerce and Industry for 1989-90.



CHINUBHAI R. SHAH has been elected regional vice-president (west) and the chairman of the Western Regional Council of the All India Management Association.



NRUPENDER RAO, managing director of Nagarjuna Signode Ltd. has been elected national president of the Indo-American Chamber of Commerce for 1989-90.



MMANDAL has been appointed chief general manager designate of the Bhopal circle of the State Bank of India

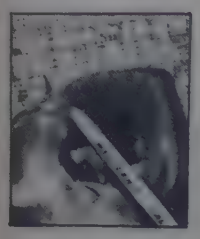


B.P. AGARWAL has been appointed general manager of the Union Bank of India



NARESH KUMAR has joined the board of directors of Bata India Ltd. as a non-executive director. He is chairman of Wellman Incandescent India Ltd

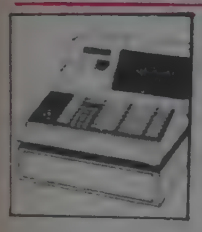
PICK OF THE JOBS



"During the next 10 years, the global demand for senior level executives all over the world will grow phenomenally, particularly in the sunrise industries," says Gulab Mirchandani, president, Tristar Consultants, a management consultancy firm.

According to him, there will be far greater mobility of senior managers worldwide and opportunities for Indian managers abroad will increase sharply. Therefore, "executive search consultants in India, affiliated to international search firms with a worldwide network of offices, will be better placed to serve their clients," he avers.

COMPANY SECRETARY



Tristar Consultants is hunting for a company secretary for a large and reputed shipping company in Bombay.

Aspirants should be law graduates and qualified company secretaries, with 10 years of experience in secretarial and administrative work. They should be familiar with stock exchange procedures.

The salary is around Rs 1.5 lakhs per annum.

Enquiries to Tristar Consultants, 616 Maker Chambers V, Nariman Point, Bombay-400021. Tel:233905/ 240377.

VICE-PRESIDENT — MANUFACTURING



A fast-expanding engineering company in south India has retained Tristar to recruit a vice-president, manufacturing.

Aspirants should be mechanical engineers, with postgraduate degree in business administration. The appointee will have to run the unit as a profit centre head, hence he should have keen business acumen, should be result-oriented and should have planning capabilities. A background in machine tools combined with an aggressive personality would be an asset.

Remuneration is negotiable around Rs 2.5 lakhs a year.

GENERAL MANAGER — PROJECTS



Tristar is also on the lookout for a general manager (projects) for a fast growing public limited company in Bombay, having a collaboration with a world leader in sportswear.

The ideal candidate would be a science graduate, be between 35 and 45 years of age with at least 10 years' experience in project implementation. Preferably, he should have had exposure in the rubber/leather/footwear industry as a senior manager.

Remuneration will be around Rs 1.50 lakhs a year. Perks are liberal and include company accommodation and a chauffeur-driven car.

CHIEF EXECUTIVE — CONSUMER DURABLES



The Concept needs a chief executive for a large Bombay-based consumer durables company which is venturing into allied product lines.

Aspirants should be science/engineering graduates, around 40 years of age with a postgraduate degree in business administration from a premier institute. They should have had experience of around 15 years in the consumer durables industry, out of which five years should have been in a senior position as a profit-centre head.

The appointee will be based in Bombay, and assume overall charge of the operations of the newly-acquired company.

Remuneration is over Rs 2 lakhs and the perks include housing, car with a driver and club membership.

Enquiries to The Concept, 67 White Hall, 143 August Kranti Marg, Bombay-400036. Tel:8224422-23/ 8118319.

PLANT MANAGER



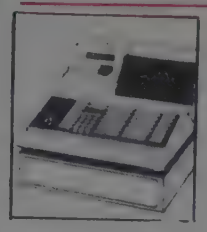
A multinational manufacturer of consumer products with a turnover of Rs 60 crores has retained The Concept to recruit a plant manager to be based in a major city in Maharashtra.

Aspirants should be engineering graduates, preferably mechanical, around 40 years of age. They should have had about 15 years' experience, out of which about five to eight years should have been in managing operations in a process industry. Exposure to profit centre management would be an advantage.

The appointee will report to the chief executive (marketing) and will function as a profit centre head at the plant level.

Emoluments are negotiable and compare favourably with the best in the industry.

SALES MANAGERS — OFFICE AUTOMATION



The Concept is also prospecting for sales managers in their early thirties for a reputed industrial group in Bombay with a turnover of over Rs 50 crores. The group is poised to introduce the latest in office equipment in collaboration with a foreign company.

Aspirants should have a diploma or a degree in business administration with five to six years' experience in copier selling. They should be hard-core professionals able to lead a young dynamic sales team. Developing strategies for fulfilling ambitious

...gets will be part of the job.
The salary is Rs 75,000 per annum ...th liberal incentives.

CHIEF EXECUTIVE



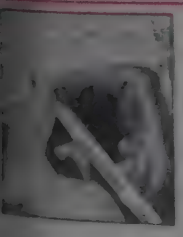
Personnel Search Services is in the hunt for a software executive to take over as chief executive of a new company in the field of information tech...ology. It has been set up by a repu...ed group based in West India in col...aboration with the electronics divi...sion of a world-renowned European ...nglomerate. The collaborator fi...gures in the first 15 in the *Fortune* ...00 listings and has a turnover of $45 ...illion. The company has access to ...tate-of-the-art technology in the field ...f information, data collection, stor...ge and retrieval.

Aspirants should be postgraduates ...n computer applications, between 35 ...nd 40 years of age, with considerable ...xperience in application software ...nd should preferably have know...ledge of telecom switching systems. They should also possess commercial ...cumen, man-management skills, in...tiative and drive of the highest order.

The appointee will report to the managing director and will be based ...t one of the metro cities. He will organise the functioning of the soft...ware house on a profit centre basis ...nd develop new business. Emolu...ments are structured to attract and re...tain the best talent.

Enquiries to Personnel Search Services, 3rd Floor, Sambava Chambers, Sir P.M. Road, Bombay-400001. Tel:2862660, 295963, 2860755.

GENERAL MANAGER



A multinational consumer products company in Bombay has retained Personnel Search Services to recruit a general manager (legal). Aspirants ...should be law graduates, around 45, ...ith impeccable academic creden...ls and experience at the senior ...el in a reputed company.

The appointee will be responsible ...r all legal matters of the company ...ecifically related to company law, MRTP, tax, excise, food and environmental laws. He will be required to work in close liaison with all profit centre heads and operating managers.

The salary will be liberal and includes all senior level perks.

CONTROLLER — FINANCE & ACCOUNTS



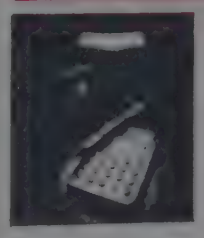
Personnel Search Services requires a financial wizard to take over as controller (finance and accounts) of a professionally managed group having a turnover of Rs 30 crores. The group is based at Ahmedabad.

Aspirants should be chartered accountants with the additional qualification of company secretary and/or an MBA (finance). They should have at least 10 years' relevant experience, out of which five years should have been in a senior management position. A well-honed business perspective and commercial orientation are essential.

The main thrust of the appointee's duties will be to handle the finance and accounting functions at the group level with special emphasis on financial planning, management accounting, indirect taxation and EDP.

Salary is not a constraint for the right person, who will be based at Ahmedabad. Accommodation will be considered.

CHARTERED ACCOUNTANTS



Crest Management Services requires top-notch finance professionals for several overseas and local concerns.

Aspirants should be qualified chartered accountants, in their thirties, with two to eight years' experience.

Salary is no constraint and will be commensurate with ability and experience.

Enquiries to Crest Management Services, 203 Famous Cine Building, 20 Dr E. Moses Road, Mahalaxmi, Bombay-400011. Tel:4936736.

TERRITORY SALES MANAGER



A multinational company manufacturing consumer products has retained Crest Management Services to recruit a territory sales manager.

Aspirants should be graduates with at least five years' experience in consumer products.

Salary is no constraint and appointees may be placed anywhere in the country.

REGIONAL MANAGERS



Jonzehn Services needs four regional managers, to be based in the four metros, for a dynamic group in consumer durables which has a collaboration with a world leader in the line.

Aspirants should preferably be qualified engineers in electronics, with experience in the marketing of professional grade equipment in their regions. They should be able to lead and guide sales and service personnel to achieve a high growth rate.

The position is in the middle management level with a tremendous career growth potential. The emoluments are negotiable and are over Rs 1 lakh per annum.

Enquiries to Jonzehn Services, P.B. No.9891, Bombay-400050. Tel:6420387.

EXPORT MANAGER



A fast growing pharmaceutical organisation, accepted as a sunrise company by the industry, has retained Jonzehn Services to recruit a high-calibre export manager.

Aspirants should have relevant experience of at least five to seven years. The appointee would be totally responsible for exports.

The pay packet envisaged is around Rs 1.25 lakhs per annum plus benefits.

■ *Indra Gidwani*

DEALING WITH THE BOSS



Getting to know the boss is an important aspect of an executive's career. But his primary loyalty should be to his job

Getting on with the boss is a very important aspect of an executive's career. Every boss wants to feel like a boss, be treated like one, and, if possible, be respected as a boss. For a salesman, the customer is the 'star.' For an employee, the boss should be made to feel like one.

But sometimes there is a mismatch. The subordinate could be much better qualified, and more knowledgeable and effective than the boss, and very obviously so. The contrast would strike any observer. In such cases, the subordinate had better find another assignment, where such a chasm does not exist. This explains why, in many companies, the standards of leadership keep falling with every decade. Mediocre bosses recruit less than mediocre subordinates, who in turn, carry on the tradition — until finally, the levels fall abysmally low. And so does the company.

There is the old story of a young executive who wanted to meet the boss to get some papers signed. The matter was urgent, but every time he peeped into the boss' room, there were two ladies present. When at last he managed to meet the boss and explain that he could not enter the room earlier because of the visitors, the boss waved grandly and said: "Well, you could have come in. It was just my wife and Elizabeth Taylor." "And which one was your wife?" asked the young man.

Surprised and pleased, the boss dug his hands into his pockets, brought out a $10 note, and pressed it into the young man's hand. "James, son," he said, "when you become president of this company, remember that I gave you a loan of $10 today." Such is the refinement of technique, of making the boss a 'star.'

Getting on with the boss is an art. It must have style. It cannot be obvious. It need not be ingratiating. Many executives resort to 'unsavoury flattery.' They laugh loudest at the boss' silliest joke. They carry his bag and sometimes his jacket as well at airports. They offer to buy vegetables from the market for the boss' wife. It can be sickening for all those around — and even repulsive to an astute boss who has some modicum of dignity and self-respect.

The boss needs support. He needs to be seen as the leader of a group of loyal men. He needs support at meetings and at conferences — and specially when he is not present. If you speak well and respectfully about him when he is not around, he will appreciate it more. Don't worry, he will get to hear about it!

The boss needs additional information. Not just on what he has asked for. Not just a literal following of instructions. There are a lot of things he may not know — specially the age of the information explosion. If y will take the trouble and go beyond the br — and try and get more information to he him make better decisions — he will inde be appreciative.

The boss needs correction. He will certa ly be grateful for help in not making m takes. Or being made to realise a mistake soon as possible after it has been made. A he will be grateful if the correction is done private, and in a style and manner where projects genuine help rather than a "I-kno better-than-you-do" attitude.

The boss needs projection as a lead When you have made some significant co tribution, or developed a new idea, nego ated a big order, or whatever, give credit the boss. He will know that he did nothing little — and that you still publicly give hi the credit. Unless he is one of those (a there are some) mean-minded guys, m bosses will remember your generosity a compensate you adequately — some time.

The boss wants patience. He does not wa young James to be in a hurry to grab his cha It could give him a sense of insecurity. will feel uncomfortable, and the bridge understanding will be irreparably broke Nothing is as sacred to the boss as the main nance of his own position. And the mo average he is, the more sacred this missio

The boss' enemies are your enemies. In a company, there will be groups or camps. It possible that your boss belongs to one. It also possible that this camp is in confl with another camp, either overtly or covert He will not want you to be a friend of t enemy. At best he will not mind a neut stance — neither friend nor foe. And it is be that you keep it that way. You never kno when in the future a member of an opposi camp may be your boss.

The boss needs a listener. They are so ra ly found these days. Everyone is a talk Few are the listening types. If there are tro bled days, with periods of stress and tensio he needs to talk to someone who is also in t know and understands.

And yet, there must be a word a cautio Loyalty to the boss cannot be absolute. It ca not be blind. It cannot be totally irration Any intelligent person will not be able to su fer a fool of a boss for too long. The prima loyalty is always to the assignment — f which you are compensated.

■ *Walter E. Vieira*

The author is a Bombay-based management cons tant.

HCL REQUIRES SALES MANAGERS WHO'LL SWITCH SIX JOBS IN A YEAR.

You might start off with the toys industry.

Then switch to automobile spare parts.

Move on to the aircrafts engines market.

And so on... to several equally varied industries.

If your talents lie outside the single job, selling the same product within the same market–year in, year out.

If you thrive on facing new challenges, absorbing new technologies, understanding different markets.

Then HCL offers you the fullest expression of your abilities. The marketing of different solutions to diverse markets.

Through CAD-CAM Account Management.

ACCOUNT MANAGEMENT??

CAD-CAM is the technology of the future–a sunrise industry. The world over, it is providing tailormade solutions that vastly improve design and manufacturing operations.

In India, however, very few know of its capabilities.

The Account Manager thus, has not only to open his customers' eyes and initiate them into CAD-CAM, he also has to make it work for them.

And he can do so only by learning everything about the customers, their operations, and needs.

He becomes their friend, philosopher and guide.

And also plays a crucial role in the CAD-CAMisation of the country.

WHO ARE YOU?

You are a successful Sales Manager or Large Account Manager with 4-8 years' experience in selling computers/large value capital equipment. (Experience in selling engineering products would be an asset.)

You are, preferably, an Engineer in any discipline. Ideally, you also possess an MBA degree.

Not only are you comfortable in your Engineering field, you also get turned on by technology.

And you're willing to manage your customer segment anywhere in India.

WHAT'S IN IT FOR YOU?

You will join India's most progressive technology company as Regional Manager Regional Sales Manager Area Sales Manager Assistant Manager–Large Accounts, depending on your experience and ability.

Of course, you will be amply rewarded monetarily (between Rs. 80,000 and 1.2 lacs per annum) More importantly, you sharpen your skills at the cutting edge of technology.

And as HCL takes quantum leaps, so will you grow.

Not to forget, you'll be doing many different jobs every year. .

A fortnight should be enough for you to put together a proposal and mail it to us. We'll call you for the presentation.

Please superscribe your application and envelope with the post applied for, and address it to:

The Personnel Manager
HCL Limited–CAD-CAM Division,
5th Floor, Bajaj House,
97 Nehru Place
New Delhi-110 019

HCL LIMITED

APPOINTMENTS

We Manufacture and Market popular brand of mass consumer products on an All India basis. The Company has registered rapid growth in the last few years and is poised for further growth in near future. To strengthen the Sales Organisation we require :

SALES MANAGER

DELHI

Will report to the General Manager and will supervise and coordinate the work of two or more Regional Managers.

Should preferably be MBA with 2/3 years experience as Regional Manager in a reputed Company dealing in mass distributed consumer product line operating in a very competitive buyers market.

REGIONAL MANAGERS

BOMBAY BANGALORE CALCUTTA

They will have overall responsibility for achievement of Sales Targets in the respective regions. Experience and knowledge of Regional Office Administration, Depot Operation and Transportation work is desirable. The candidates will report to Sales Manager.

Should preferably be M.B.A's with minimum of 5 years experience in a reputed company dealing in mass distributed consumer product line operating in a very competitive buyers market.

AREA SALES MANAGERS

Should preferably be M.B.A's with 2/3 years of relevant experience. Selected candidates would be based in State Capitals.

Remuneration offered by the Company will not be a constraint for the right candidate.

Applications will be treated in strict confidence. Please apply within 7 days enclosing a detailed Curriculum Vitae and a recent passport size photograph, details of salary drawn and expected and preferred place of posting to Box No. 724,
BusinessWorld, 6 Prafulla Sarkar Street,
Calcutta 700001

APPOINTMENTS

ORIENTAL ELECTRIC & ENGINEERING COMPANY

(PROP : BAGLA ENGINEERING COMPANY LIMITED)

We are a Private Sector professionally managed company with Head quarters located at Calcutta. We have been in the field of Civil, Piling, Structural and Marine construction for about three decades now. We have ambitious plans for the future and are in the process of diversification for fulfilment of the goal. In order to meet our growing needs we require dynamic committed and result-oriented professionals of calibre par excellence with high level of motivation and achievement, and high degree of initiative for the following positions :

SENIOR MANAGER (GEO-ENGINEERING) : Rs. 1.00 Lac plus

Civil Engineering Graduates with over 20 years' experience in construction firms out of which at least 5 years in managerial capacity. Post-Graduate qualification in soil mechanics preferred. The incumbent will be responsible for setting up the Company's Geo-Engineering Division including opening of the office and recruitment of the team of engineers and supporting staff. He will be in complete charge of the Division and responsibilities include job prospecting, collection of tender documents, tendering, conducting negotiations, finalising contracts, selection and procurement of equipment, foreign collaborations, arranging finance from Institutions and proper execution of quality work. Persons with experience in Pilling, Shaft sinking, ground anchors, soil stabilsation and allied works need only apply.

AGE LIMIT : 45 years

SENIOR MANAGER (HIGHWAY PROJECTS) Rs. 1.00 Lac plus

Civil Engineering Graduates with over 20 years' experience in construction firms out of which at least 5 years in managerial capacity. The incumbent will be responsible for setting up the Company's Highway Projects Division including opening of the office and recruitment of the team of engineers and supporting staff. Responsibilities include job prospecting, collection of tender documents, tendering, conducting negotiations, finalising contracts, selection and procurement of equipment, foreign collaborations, arranging finance from Institutions and proper execution of quality work. Persons who have experience in constructions of Highway Projects need only apply. Experience in design of Highway structures will be a plus point.

AGE LIMIT : 45 years

If you meet the above requirements please write in confidence within 15 days to the following address.

The above posts carry attractive remuneration package including liberal perquisites.

Interviews will be held at Calcutta, Delhi, Madras, and Bombay and applicants may give their preference.

The General Manager
ORIENTAL ELECTRIC & ENGG. CO.
16, Netaji Subhas Road (4th floor) Calcutta - 700 001

APPOINTMENTS

BE

Require

PRODUCT MANAGERS

BIOLOGICAL E. LIMITED, a rapidly growing Pharmaceutical Company which has a leadership position in certain therapeutic categories including some life saving Drugs, is on the look-out for Product Managers. The Company is looking for persons who have the ability to create, nurture and develop winning brands:

The Company is essentially looking for:

1. PRODUCT MANAGERS (ETHICAL DRUGS)

They should be having a M. Pharm or B. Pharm degree with a post graduate degree in Management from a reputed Institute or University, with a good scholastic record.

They should also be having a minimum 3 Years successful experience in Product Management in any Pharmaceutical Company.

2. PRODUCT MANAGERS (OTC-PHARMA)

They should be having a post graduate or graduate degree in any discipline with a post graduate degree in Management from any reputed Institute or University.

They should also be having a minimum three years successful experience in managing the OTC Brands of any reputed Company.

The Product Managers would be reporting to General Manager, Marketing.

The Company offers a very congenial working environment and excellent career opportunities. The remuneration package will be comparable with the best in the industry.

Please write in strict confidence within 15 days with detailed curriculum vital and superscribe the envelope with the 'Position Applied For' to:

Managing Director

Biological E. Limited

18/3, Azamabad, HYDERABAD - 500 020.

A large, reputed business group with ambitious diversification plans in the spheres of **Electronics** and **Dyes & Chemicals** is looking for a

TECHNICAL CONSULTANT

Those with projects for export oriented or import substitution items and capable of organising technical collaboration and foreign tie-ups should write with complete details to Box No—723,

BusinessWorld, 6 Prafulla Sarkar St., Calcutta-700001

"Help! I'm stuck."

It's 7:30 a.m.

A shrill alarm heralds yet another long, tiring day.

It's time to get ready for work.

Time for the rat race.

Rush. Rush. Rush.

Can you spare a moment?

Just a few minutes to review your career. Your growth. Your future.

Are you still charged up about your work as you were when you first started off as an Assistant Sales Executive?

Does your field still challenge you to keep proving yourself?

Is your job giving you the opportunity to grow?

Or are you, in very plain words, bored!

Tired of the monotony of the past few years.

Fed up of selling just air-conditioners, air-conditioners, air-conditioners (or vacuum cleaners, or filing cabinets, or water purifying systems, or....)

Anxious that even as a Sales Manager your functions have remained the same.

Worried that even five years down the line you'll still be doing the same thing.

HCL Communications Division presents an option.

HCL: The company that pioneered India's office automation revolution, has risen to become South Asia's largest organisation in this field.

Today, the Communications Division markets EPABX systems, electronic teleprinters, PC Fax machines and NSBCs (Non-Stop Business Communicators).

And in the pipeline is a whole new range of exciting products, including radio modems, data radios and cordless telephones.

With plans of propelling the current 14 crore turnover to a dizzy 45 crores in just twelve months, HCL Communications Division needs the following dynamic individuals at locations across the country.

Regional Managers.

The incumbents must be 30-32 years old. Having minimum 3-4 years' relevant experience in sales management.

Proficiency in both dealer management and institutional selling will be an added asset.

The incumbents will also be expected to lead and manage a frontline sales team of approximately 15 executives and managers.

Area Sales Managers.

Candidates must be 25-27 years old. Having 4-5 years' field experience. With atleast a year or two at the Supervisor level.

Responsibilities include strategising sales, guiding a sales team and meeting sales targets.

Grab the opportunity.

Here's your chance to break out of the routine.

A chance to sell varied products.

A chance to be part of a high-growth, high-reward industry.

If your profile matches ours, send it in to the Personnel Manager within 10 days. (Superscribing the envelope with the post applied for.)

And rest assured, you won't get stuck.

HCL Limited
Communications Division
5th Floor, Bajaj House
97, Nehru Place . New Delhi 110 019.

HCL LIMITED

Trikaya Grey HCL P 6 89

MANAGING DIRECTOR

On behalf of our clients, a long established Engineering Company which is part of a large group, we are looking for a dynamic individual to be appointed as Managing Director. The Company is internationally known in a specialised field of engineering projects and is the largest in Asia in this line. With many prestigeous overseas assignments on hand, the Company is set for future growth.

The Managing Director will have total responsibility for providing leadership and direction to the Company's operations.

The right individual would preferably have an engineering degree and possess multifunctional experience in the engineering industry. He should be at a senior level presently. He should have man management skills of the highest order. The preferred age group is 45-50 years.

Emoluments are absolutely open and would be complemented with all top management perquisites.

Those interested may please apply within 10 days to :

PERSONNEL SEARCH SERVICES
3rd Floor, Sambava Chambers, P.M. Road, Fort,
Bombay-400 001

APPOINTMENTS

TOP POSITION IN HUMAN RESOURCES DIVISION AT

Telco

PUNE

Telco's manufacturing complex at Pune houses a modern, integrated plant for designing and producing commercial vehicles, machine tools and other capital equipment. The Company employs over 12,000 men, most of whom are skilled technicians, engaged in the manufacture of complex, high-quality engineering products.

Telco has pioneered a series of innovative practices in human resources management. The Company is now looking for a dynamic individual to head the Personnel group and take responsibility for industrial relations, training, administration, security, medical facilities, as well as community and rural development.

The selected candidate will report directly to the Resident Director, and will be a member of the top-management team at the plant. Aided by a team of proven professionals in personnel, training and administration, he will have the challenging task of creating a healthy industrial relations climate, where employees are encouraged to develop themselves and acquire the skills necessary for making a totally new generation of products.

Individuals who can make a contribution at this level will have headed the personnel/human resource function in a medium or large organisation for at least 5 years and will have demonstrated, for about 15 years before that, a very high degree of competence in any one of the sub-functions of the human resources area.

Candidates should apply, within 15 days, to:

The Executive-in-Charge
(Manpower Planning)
Tata Engineering & Locomotive Co. Ltd.
Bombay House, 24 Homi Mody Street
Bombay 400 001

CHAITRA-B T 1092

CAMLIN LIMITED

STATIONERY DIVISION

A Public Limited Company with household brand image is planning to enter in the market of Industrial Adhesives, Sealants and Coatings. The Company is looking for the **Product Manager** who will help in identifying the range of products, set the budgets and targets and coordinate all the functions required for successful marketing of these products. The incumbent will build the marketing team from grass roots.

The Candidate should be in the age group of 35 to 40 years.

The incumbent should be a Technical Graduate with M.B.A. or equivalent qualification with 10 years experience in this field out of which minimum 4 to 6 years in similar capacity.

Company offers attractive salary, perquisites and other benefits.

Interested candidates may apply within 10 days with complete bio-data stating experience, salary drawn and expected, specific career achievement etc. along with passport size photograph, superscribing the envelope with the post applied for to :

The Personnel Manager,
Camlin Limited,
Stationery Division, Camlin House,
J.B. Nagar, Andheri, Bombay 400 059.

APPOINTMENTS

ABC's major specialisations include Corporate Consultancy

We have been retained to select several key professionals for a **premier & highly visible** All India Organisation which is the apex body for business & industry with strong international affiliations. All positions are based at **DELHI.**

SECRETARY-Economic Affairs

As Head of Department, the incumbent will guide & supervise preparation of papers/reports for representation to **Central Government Departments** on a variety of subjects. The position, therefore, requires good understanding of practical working of commerce & industry; persuasive personality to enable him to present his point of view to **Senior Industrialists** as well as Government Officials; excellent drafting skills; administrative capacity for managing a battery of Economists, Statisticians, Industry Specialists. Must have an excellent academic background, preferably in **Industrial Economics** and good command over written & spoken English. Age Group 38-45. Code SEA/CAL/2600.

SECRETARY-International Affairs

His Department is the vital link between the Indian and International Business Community throughout the world. He will, therefore, need to organise & supervise timely action **to deliver maximum satisfaction** to affiliated Chambers of Commerce on a variety of subjects concerning FERA, Investment Policies, Taxation Laws, Special Concessions, Meetings/Appointments for visiting Foreign Businessmen, etc. The position calls for **excellent PR Skills and proven capacity for organising & followup.** The ideal candidate will be an Economist with good understanding of international trade practices, import-export policy and government regulations. Personal contacts in Central Ministries will be an added advantage. Age Group 40-45. Code SIA/CAL/2601.

SECRETARY-Administration

He will **streamline & supervise** all administrative functions like Accounts, Staff & Union Matters, Office Administration, Budgetting & Reporting, etc. Must be a **strong administrator** with similar experience in a comparable organisation. Annual Expenditure Budget is over Rs 1 Crore. Age Group 35-45. Code SA/CAL/2602.

4 MBAs/Economists/PROs

They will be assigned to various Departmental Heads and will be groomed for higher responsibilities in the areas of Domestic & International Affairs, Research & Policy Formulations, Media & Government Coordination, etc. Must have brilliant academic record, pleasant personality and 4/5 years relevant experience. Age Group 28-32. Code MEP/CAL/2603.

Our clients are looking for **High Performers** and will be willing to negotiate handsome remuneration package. Please write to **B P Agrawal, Chairman** and mark the envelope & enclosures with respective job title & code. Particulars of age, education, past experience, current position & responsibilities, emoluments drawn & expected, contact telephone numbers, etc,, should be clearly mentioned in the bio-data.

ABC CONSULTANTS PRIVATE LIMITED

6A, Middleton Street, Calcutta 700 071 ; Phones : 292431/3078

SWOT Analysis • Systems & Procedure • Business Negotiations • Socio Economic Studies • Computer Feasibility

Organised Cost Reduction • Technology Transfer • Project Reports • Operations Research • Industrial Engineering

Data Processing • Computer Software Packages • Materials Management

WANTED
A brave new breed to manage change

GESTETNER (INDIA) LTD. with manufacturing locations at Hyderabad, Calcutta and Nasik today markets a wide range of office automation equipment and supplies through a network of 28 branches. The products include Plain Paper Copiers in collaboration with Copyer Company of Japan, Electronic Stencil Cutters, Stencil Duplicators, Electronic Binders and related supplies. Geared towards emerging as a leader the Company offers challenging opportunities to people who have the ability to manage change and be the pathfinders. You will have the satisfaction of working for a reputed Company where your ideas and dynamism will be valued.

To cater to this new perspective for growth the Company requires :

Regional Managers, New Delhi, Bombay, Calcutta and Madras

Graduates preferably with post graduate qualifications in management and experience in running an independent profit centre. The Regional Managers will be responsible for achieving the Company's objectives in their region primarily in the areas of sales, service and collections. Reporting to the Managing Director, they will lead a team of Branch Managers in their region.

Branch Managers—All India Locations

Graduates preferably with post graduate qualifications in management. The candidates should have direct selling and sales management experience and should be currently managing a group of people. The Branch Managers will head the operations at a Branch and be responsible for achieving the Company's objectives in that location with regard to sales, service and collections. Reporting to the Regional Manager, they will be assisted by executives in the various functions.

Territory Managers — All India Locations

Graduates with 2/3 years'direct selling experience preferably in office/capital equipment with a proven track record may apply. They will be responsible for the achievement of their sales targets and for ensuring a high degree of customer satisfaction.

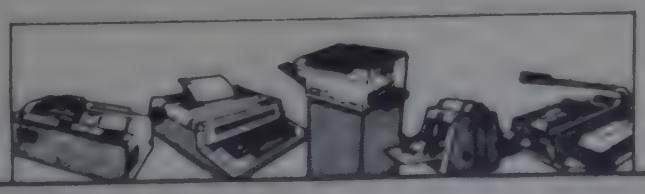
Sales Executives — All India Locations

Fresh graduates who demonstrate high standards of communication and analytical skills coupled with initiative will be considered for this position.

All the above positions will carry remuneration commensurate with qualifications and experience along with performance based incentives comparable with the best in the industry.

Write or call directly :

Raghu Murti,
Managing Director,
Gestetner (India) Ltd.,
6, Bahadur Shah Zafar Marg,
NEW DELHI 110002.
Tel. 3316623, 3316625, 3319520.



Gestetner

MANAGEMENT TRAINEES

The KHODAY GROUP OF INDUSTRIES invites applications from well qualified, hard working, young professionals, who wish to join as Management Trainees and to grow with the Group in their Management Cadre. They will be required to undergo training for a period of one year before being absorbed in their respective disciplines of specialisation, in various Companies of the Group.

The candidates should possess either of the following qualifications:-

(a) M.Sc in Bio-Chemistry with specialisation in alcohol technology or brewing or enzymes.
(b) First Class Degree in Chemical/Mechanical/Civil Engineering.
(c) Chartered Accountants with MBA with specialisation in Finance.
(d) Company Secretaries with Law qualification.
(e) MBA from a reputed Management Institute with specialisation in Marketing or Materials Management.

The candidates may be fresh graduates or could have one to two years experience. The age limit is 26 years.

Candidates possessing dual qualifications will receive preference.

The trainees will receive the following compensation while under training:-

(a) Trainee Stipend - Rs. 2,500/- per month
(b) Free Single Accomodation or House Rent Allowance at the rate of 25% of the stipend.

After the training period of one year, the trainees will be required to appear for an induction test, which is mandatory to qualify in for being absorbed in the Management Cadre. On being absorbed in the Management Cadre they will receive the scales of pay as laid down in the Company's rules.

Applications giving details of name, address, telephone number, age, educational qualifications, experience if any, and extra curricular activities may please be sent to the following address. Please superscribe your application and envelope 'Executive Training'.

Col Ravi Nanda, AVSM,
Vice President,
Khoday Brewing & Distilling Industries Ltd.,
7th Mile, Kanakapura Road,
Bangalore-560 062.

MarC

ORIENT ABRASIVES LIMITED

We are a large, progressive, professionally managed group with multi interest activities, on the look out for following result oriented professionals at Delhi and Bhiwadi (72 kms from Delhi)

A) GRINDING WHEELS DIVISION: Foreign Technical Collaboration

Manager Marketing **REF: GW/MM/1** **Delhi.**

Responsible for all India sale and marketing of grinding wheels through four zonal offices having a wide dealer net work.

Graduate mechanical engineer with 10 to 15 years experience of selling industrial consumer products in competitive environment.

Manager Production **REF: GW/MP/1** **Bhiwadi.**

Engineering graduate (Mechanical/Ceramics/Chemical) having experience of 10 to 15 years in Engineering/Grinding Wheels/Ceramic Industries in Production Department. Will look after entire production function including planning, scheduling, cost control and effective handling of work force.

Manager Quality Assurance **REF: GW/MQ/1** **Bhiwadi.**

Engineering graduates (Mechanical/Ceramics) with 8 to 10 years experience in quality function in engineering/grinding wheel industry having knowledge in testing of raw material, process control, finished products and handling of customer complaints.

B) REFRACTORY DIVISION: Most modern equipment with a sophisticated testing laboratory.

Manager Marketing **REF: RD/MM/1** **Delhi.**

All India sale responsibility, mainly to steel, cement, fertiliser, petrochemical companies.

Graduate engineer in metallurgy/ceramics with 10 to 15 years selling experience.

Manager Production **REF: RD/MP/1** **Bhiwadi.**

Engineering graduate (Metallurgy/Ceramics) having production experience of 10 to 15 years in a refractory or ceramics industry.

Should be well conversant with cost effectiveness and productivity improvement.

Manager Quality Assurance **REF: RD/MQ/1** **Bhiwadi.**

Engineering Graduate in Ceramics/Chemical/Metallurgy or Post Graduate in Physics/Chemistry/ Geology. Seven to ten years experience in Quality Control or R&D function, should be well conversant in use of sophisticated equipment.

Please apply with details (mentioning REF. No. on the envelop) to:

The President,

Orient Abrasives Limited,

1212, Chiranjiv Tower,
43, Nehru Place, NEW DELHI-110 019.

pratap 89

WANTED DYNAMIC LEADERS

TO BE THE DRIVING FORCES OF A MASSIVE GROWTH THRUST BY A LEADING AND RENOWNED PROFESSIONALLY MANAGED MULTINATIONAL AND MULTI-INDUSTRIAL GROUP.

CHIEF EXECUTIVES

Looking for Matured, Astute and Seasoned Ace Chief Executives each with a track record which speaks for itself to lead large manufacturing divisions in different locations having turnover of 100 crores and more. As the Division Chief, incumbent will hold independent charge of the profit centre and be responsible for attaining the Profitability, Growth and Diversification objectives of the division.

Respondents must be Highly Successful Techno-Commercial Managers preferably be Chartered Accountants or Engineers with M.B.A. From reputed Foreign or Indian Institutes, upto 45 years, with at least 5 years experience of successfully heading large, profitable and professional companies. The incumbents must be High Achievers who can Galvanize the Operations and Infuse People at all levels with a Sense of Mission.

The Remuneration Package and Benefits would be structured to attract the best in the industry. Please write, in complete confidence, to:
POST BOX NO. 1828, G.P.O., BOMBAY 400 001.

GROUP DIRECTOR—FINANCE

On behalf of a large business house, we are looking for a Director to handle the group's Finance matters. The group has well diversified interests in engineering, electronics, telecommunications, computers, consumer products and commodities.

The position reports to the Chairman of the group and has responsibility for the overall financial affairs of all the group companies. The thrust of the job would be in the areas of investment analysis and planning, performance analysis and monitoring and project financing on a large scale.

The right candidate is likely to be a CA and Company Secretary around 50 years who has handled the finance function of a large Company or smaller Companies in a large group. He should have significant achievements in the finance function to his credit and should be well known in senior financial circles.

Salary and perquisites would be very attractive and not a constraint for the right person.

Those interested may please apply within 10 days to :

PERSONNEL SEARCH SERVICES
3rd Floor, Sambava Chambers, P.M. Road, Fort,
Bombay-400 001

APPOINTMENTS

Lakhani

The Footwear People

We are a multi crore business group engaged in the manufacture of the well known brand of Lakhani Footwear. We are looking for talented professionals with proven track record for our expansion programme.

Rubber Technologist

The incumbent should be a B. Tech. in Polymer Technology or, at least, a B.Sc. L.P.R.I. with a minimum of 3 to 5 years sound experience in footwear industry. He will be looking after the technical aspects of footwear manufacture, production and quality control.

Plastic Technologist

Qualified Plastic Technologist with B. Tech. in Polymer Technology or, at least, B.Sc. with 3 to 5 years experience, preferably in the footwear industry is required to take care of the technical aspects of Production and Quality Control Operation.

Leather Technologist

Applicants should have either a diploma or degree in Leather Technology with 3 to 5 years relevant experience in the footwear industry. He will be involved in the manufacture of leather uppers, leather footwear production and quality control.
Remuneration commensurate with qualifications and experience.
Please apply with full particulars and a recent passport size photograph to:

Personnel Manager
Lakhani Rubber Udyog Ltd.,
Plot No. 131, Sector-24, Faridabad.

3 Brothers/L/189

Vam Organic Chemicals Ltd

New Delhi — **Attractive Salary+Perks**

Vam Organic Chemicals Limited, a growth oriented high technology company, has promoted INSILCO LIMITED in financial collaboration with Degussa AG of West Germany, to implement a Rs. 58 crore project for the manufacture of spray dried silica. For this new company, we require :

VICE PRESIDENT-FINANCE

The incumbent should be a qualified Chartered Accountant aged around 40 years, possessing 20 years of relevant work experience in project finance, accounting systems and taxation of a large organisation. Candidate having experience of working in a multinational company would be preferred. Company Secretary's qualification, though desirable, is not an essential prerequisite of the job. The selected candidate shall head the Finance and Accounts function and shall report to the Managing Director.

Interested candidates should apply in confidence within 10 days giving full details to :

The Manager Corporate Personnel,
VAM - HRD Centre, 2, Western Avenue,
Maharani Bagh, New Delhi-110 065.

INTERFACE 6837

MANAGING DIRECTOR

A reputed US based consumer products Company is looking for a Managing Director to take charge of their Indian operations. The Company is a world leader in a range of consumer products with operations in over 40 countries and sales in excess of US $2 billion.

The Managing Director will spearhead the Company's activities in India and will have the immediate task of establishing the Company's existing brands in India. In due course, he will also oversee the introduction of new products marketed by the foreign principals.

We are looking for a dynamic marketing professional in the age group 45-50 years with an outstanding track record in marketing. Experience in a multinational environment will be valued. Aspirants should possess special strengths in launching of new products on a national scale. They should have the ability to assume a general management function.

For the right candidate, emoluments will be totally negotiable and would include all top management perquisites.

Those interested may please apply within 10 days to :

PERSONNEL SEARCH SERVICES

3rd Floor, Sambava Chambers, P.M. Road,
Fort, Bombay-400 001

APPOINTMENTS

PREMIER VINYL
FLOORING LTD

SALES EXECUTIVES

We are a multi-crore company engaged in the manufacture of various Kinds of vinyl floor coverings, sheeting and leather cloth in technical collaboration with M/s Pegulan Werke, A.G. of West Germany — world leaders in vinyl flooring.

Our company has grown rapidly in a short period of three years. Today our products apart from the domestic market are also widely accepted in foreign markets. The present turnover of the company is over Rs 20 crores and is targeted to exceed Rs 40 crores by the end of next year. Vacancies for the above mentioned post exist at Delhi, Bhopal, Hyderabad, Cochin, Bhubaneshwar, Guwahati, Baroda/Ahmedabad and Bombay.

Incumbents should be Science Graduates below 30 years of age, possessing a Diploma in Sales & Marketing Management with at least 3 years,of selling experience in the field of consumer durables.

Opportunities for career growth are excellent. And salary and perks will be commensurate with qualification and experience.

Apply giving all details, in full confidence to:

The Director—Marketing
Premier Vinyl Flooring Ltd.,
C-1, Commercial Centre,
Safdarjang Development Area,
New Delhi-110 016.

HOSPITAL SERVICES CONSULTANCY CORPORATION (INDIA) LIMITED

(A Government of India Enterprise)
1, Copernicus Marg,
New Delhi-110 001.

We have been retained by our Client who is setting up a 101 bed private hospital at Shillong, Meghalaya, having excellent communication facilities, pleasant weather and scenic surroundings. The hospital shall be commissioned by the middle of 1990 and shall provide specialities in Surgery including Orthopaedics, Medicine including Gastro-Enterology and CCU, Obstetrics and Gynae, ENT, Eye and Dental.
Persons interested in working as Consultants/Specialists may apply with their latest bio-data and salary expected to:

The Director (Engineering),
Hospital Services Consultancy Corporation (India) Ltd.
1, Copernicus Marg,
New Delhi-110 001,

within one month of the date of advertisement. Minimum experience required is 7-10 years after post-graduation in the speciality concerned. Free furnished accommodation will be provided to the selected candidates. Interviews would take place by end of 1989 in Shillong/New Delhi.

Sd/-
(S.M. BOSE)
Administrative Officer

SEK/HSCC

GENERAL MANAGER —LEGAL

A large multinational consumer products company has retained our services to locate a General Manager—Legal.

The incumbent will have responsibility for all legal matters of the company, specifically related to Company Law, MRTP, Tax, Excise, Food and Environmental Laws etc. He will be required to work in close liaison with all profit centre heads and operating managers.

The candidate should have an outstanding academic record with legal qualifications. He must have a wide range of professional experience at senior level in a reputed Company. The ideal age is around 45 years.

The compensation package would be very liberal and would include all senior level perquisites.

Those interested may please apply within 10 days to :

PERSONNEL SEARCH SERVICES
3rd Floor, Sambava Chambers, P.M. Road, Fort,
Bombay-400 001

ABC's major specialisations include Corporate Consultancy

Materials Management • Project Reports • Business Negotiations • Technology Transfer • MIS • O&M • Software Packages

Operations Research • Industrial Engineering • Systems & Procedures • Computer Feasibility • Socio-Economic Studies

GENERAL MANAGER MARKETING

New Delhi **Over Rs. 3.5 Lakhs/Annum**

Our clients are a Delhi based leading, professionally managed, multiproduct company of a group with a current annual turnover exceeding Rs. 500 crores. **The company considers its marketing and sales support to be the primemover for its success.** It is now in a highly competitive field and is poised for revolutionising its market, for which it is already setting a trend.

We have been retained to locate a General Manager-Marketing who will be required to **direct the company's marketing and sales function in an integrated manner** in all the facets of marketing/sales management like designing & implementing successful marketing strategies, sales forecasting, distribution, dealers management, advertising, market research etc.

The incumbent should be a MBA in the marketing stream, from a reputed business school having about 15 years of hands on experience. **He should have the capability to spearhead new product development, explore possibilities of new areas of marketing and develop non-conventional usages of the company's product(s).** The candidate will be required to motivate his team into a top-notch force that will place the company's product(s) in an invincible position within a year.

The incumbent will be part of the Senior management team and will contribute to all critical decisions of the company. **The right type of person will have good prospects to make up to the position of Chief Executive of one of the companies in the group.** Desired age: 30-40. Please apply in strict confidence within 10 days to **Colonel V P Gulati, Associate,** quoting job title and code: GMM/DEL/909.

Personnel Selection Division

ABC CONSULTANTS PRIVATE LIMITED

209 Meghdoot, 94 Nehru Place, New Delhi-110 019, Phone: 6464386

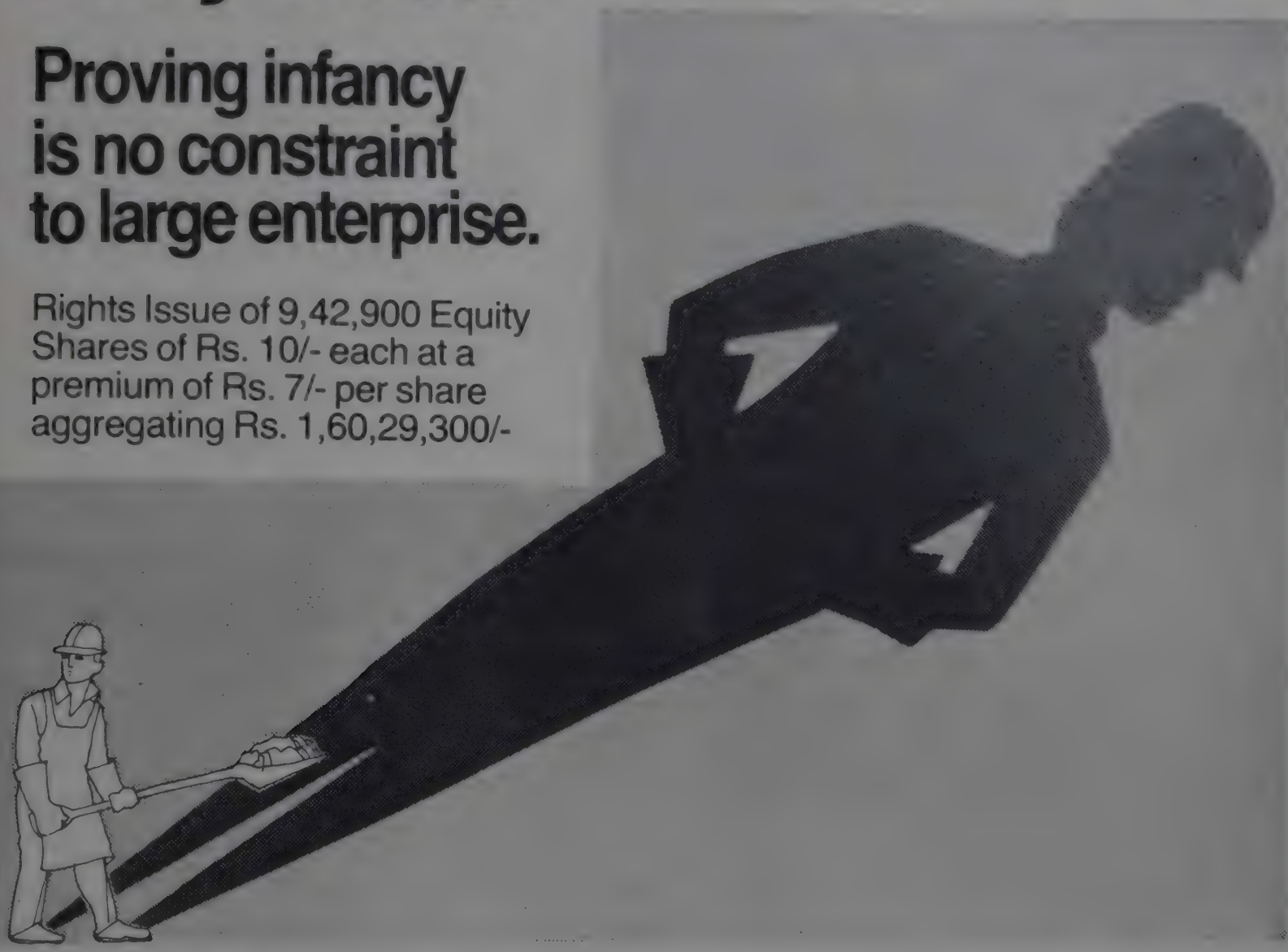
Organised Cost Reduction • SWOT Analysis • Data Processing

Unity Steels

A SPECIAL ALLOY STEEL ISSUE

Proving infancy is no constraint to large enterprise.

Rights Issue of 9,42,900 Equity Shares of Rs. 10/- each at a premium of Rs. 7/- per share aggregating Rs. 1,60,29,300/-



Since inception Unity Steel has been a dream venture. Beginning modestly with an installed capacity to manufacture 5000 t.p.a. of stainless and alloy steel, ingots and steel castings, the Company has witnessed rapid growth. Gradually and steadily, the management philosophy to plough in profits has paid rich dividends. Today, with capacity at 25,000 t.p.a. Unity Steel is a rare success story.

In conformity with the shareholders aspirations, once again Unity Steel is now offering Equity Shares on Rights basis at a premium of only Rs.7/- per share to its existing shareholders as against the market price of Rs.50/-* per share.

Once again, an opportunity to let your investment grow with a growing company.

*Rs.50/- ex-right as on 2.6.89 on the Bombay Stock Exchange.

FINANCIAL HIGHLIGHTS

Unaudited Working Results of the Company for the period from 1.1.89 to 30.4.89:

	(Rs. in lacs)
1. (a) Sales/Turnover	387.00
(b) Other Income	0.85
2. Estimated gross profit before Depreciation and Taxes	39.59
3. (a) Provision for Depreciation	11.46
(b) Provisions for Taxation	6.63
4. Estimated Net Profits	21.50

HIGHLIGHTS

- **A high growth company with excellent track record.**
- **Installation of balancing equipment and R & D facilities will help better on-line quality control, expand product range, establish export market and result in higher profitability.**
- **Technical knowhow support for metal refining process from Krupp Industrietechnik West Germany.**
- **Diversification & modernisation plans to be completed by December, 1989.**
- **The Market price Rs 50/- per share as on 2.6.89.**

MANAGERS TO THE ISSUE

Bank of India
Merchant Banking Department
Stock Exchange Bldg
Dalal Street
Bombay 400 023

PNB CAPITAL SERVICES LIMITED
Jeevan Bharati
Tower - Level 3
Connaught Circus
New Delhi 110 001

Subhash Dalal Financial Consultants
M.G. Road
Near Bank of India
Mandvi
Baroda 390 001

Co-Managers to the Issue

Bank of Credit and Commerce International (Overseas) Limited
Merchant Banking Group
Maker Chambers III
Nariman Point, Bombay 400 021

The Karur Vysya Bank Ltd
Mohamed Mansoor
Opp. Ambica Centre
Paithanwala, Relief Road
Ahmedabad 380 001

Unity Steels Ltd.

Regd. Office: 413-15 Paradise, Opp. College, Sayajigunj, Baroda 390 005.

ISSUE OPEN

Concept

ISE '89

INTERNATIONAL SECURITY EXHIBITION

PRAGATI MAIDAN, NEW DELHI

OCTOBER 3-9, 1989

India's International Exposition on Security Technology, Systems, Equipment and Devices. Participation invited from Foreign and National Security Industry

SCOPE OF DISPLAY

- Industrial Security Devices, Fire Safety & Security.
- Anti-terrorist, Anti-sabotage and Anti-smuggling devices including modern weapons, explosives, protective garments, opto-electric devices, special equipment for commandos/Special Task Force personnel etc.
- Bomb detection, removal and disposal devices.
- Fibre Optic, Counter-espionage and VIP Security devices.
- Domestic security appliances, crowd control/mob dispersal equipment/outfits.
- Forensic science equipment, arms, ammunitions relevant to the Police/Paramilitary forces.
- Wireless equipments & Paging devices, Speech secrecy devices & equipment.
- Airport and Port Security devices/measures.
- Training aids and training equipment for security personnel.
- Radars & other fast detection devices.
- Target and shooting range equipment.
- Self defence/personal protection equipment/devices.
- Uniforms and other outfits for security forces.
- Office Security.
- Computer based information systems and their security.

TIMINGS

10.00 AM to 1.00 PM for Business visitors
2.00 PM to 8.00 PM for general public

SPACE RENTALS

Rs 1,000 per sq. mtr. for national exhibitors
US $ 100 per sq. mtr. for international exhibitors.
Minimum space booking 9 sq. mtrs. and multiples thereof.
Rentals include construction of stand under Shell Scheme, Carpeting, Facia, Stand number, Hall lighting, general publicity and general security.

Deadline for submitting application July 15, 1989

For further information, please contact:

THE CHIEF SECURITY OFFICER
TRADE FAIR AUTHORITY OF INDIA
PRAGATI BHAWAN, PRAGATI MAIDAN, NEW DELHI-110 001 (INDIA)
PHONE: 3318272, 3317507; 3317839 TELEX: 031-61311/031-61022
CABLE: COMEXH-IN FAX: 91-11-3318142

POWER GENERATION UP

Overall power generation during April 1989 increased by 10.8%, against an 8.2% increase in April 1988. Hydel generation continued to maintain its high growth witnessed since August 1988. It increased 31.7% in April 1989 as compared to a fall of 9.4% in the corresponding month of last year. As against a marked increase of 13.8% in April 1988, thermal including nuclear power generation showed a moderate increase of 5.5% in April 1989.

HIGHER COAL PRODUCTION

Production of coal at 22.10 million tonnes in March 1989 recorded a sharp improvement of about 13% over February 1989 as well as March 1988. Consequently, daily production improved from 6.97 lakh tonnes in February 1989 to 7.13 lakh tonnes in March 1989. Production of coal during 1988-89 was placed provisionally at 194.63 million tonnes against 179.71 million tonnes in 1987-88. At this level, coal production in 1988-89 was about 8% higher than that in 1987-88.

STEEL INDUSTRY IN THE DUMPS

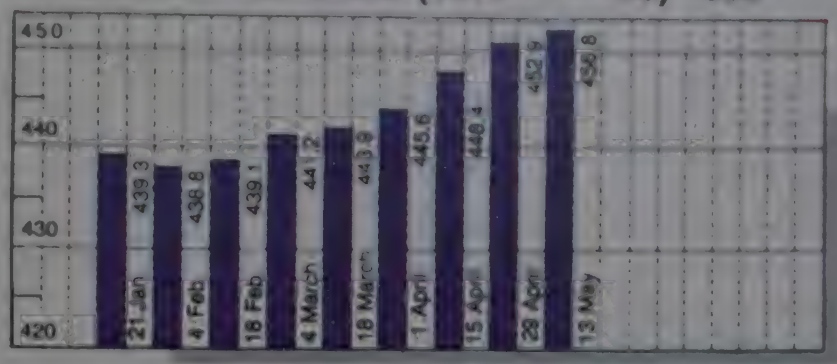
The performance of the steel industry during April this year was unsatisfactory. Production of saleable steel and steel ingots declined by about 34% and 19% respectively from the levels attained during the previous month. Although pig iron production during April was about 19% higher than that in March, it was 15% lower when compared to that a year ago. Demand for pig iron in 1989-90 is placed at 17.5 lakh tonnes as against a domestic production of 16 lakh tonnes. The balance is to be met through imports.

FERTILISER OUTPUT DECLINES

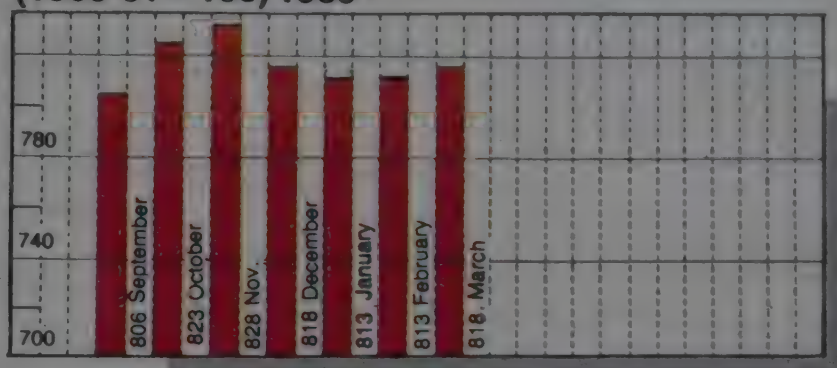
After reaching its peak at about 9 lakh tonnes in December 1988, fertiliser production declined significantly during the following two successive months. Although production of fertilisers picked up a little bit (about 1.5%) in March 1989 over that in the previous month, it was substantially lower (about 6%) than that in March a year ago. Against the background of a somewhat unsatisfactory production performance, offtake of fertilisers during March 1989 recorded a phenomenal rise of nearly 176% over that in March 1988. It was also about 60% higher than the offtake recorded in February this year.

Foreign Exchange Rates (Spot) 1989	6 June (Rs)
One P. Sterling	25.60
One US Dollar	16.37
One D. Mark	8.22
One hundred J. Yen	11.50
One Saudi Riyal	4.26
One Kuwaiti Dinar	54.06

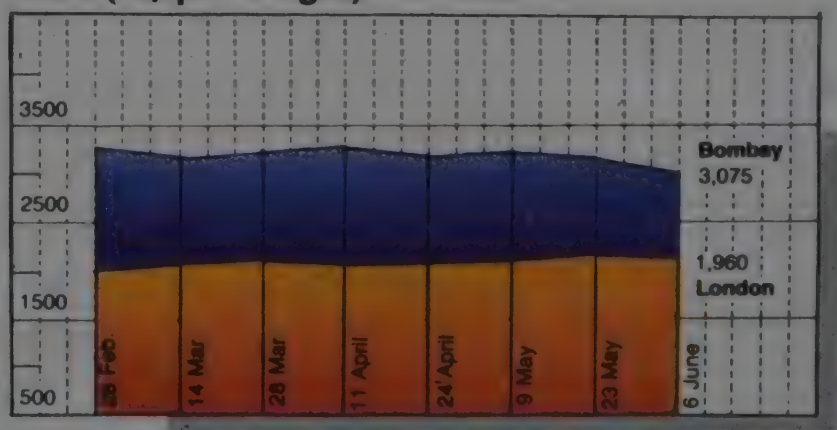
Wholesale Price Index (1970-71 = 100) 1989



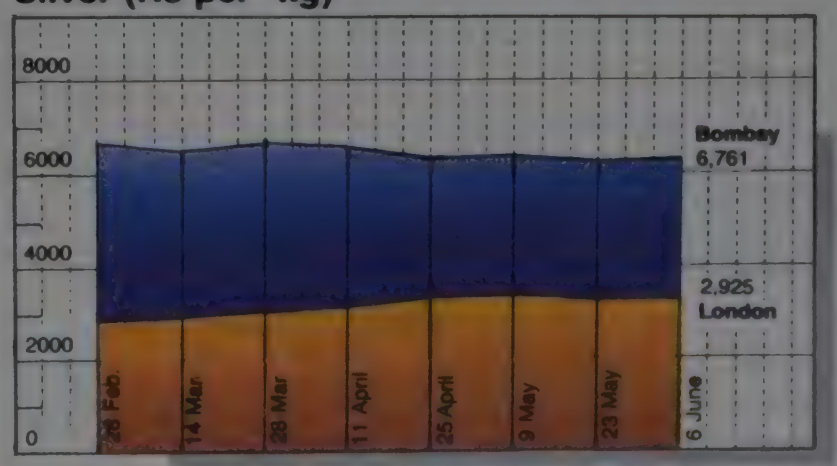
Consumer Price Index for Industrial Workers (1960-61 = 100) 1989



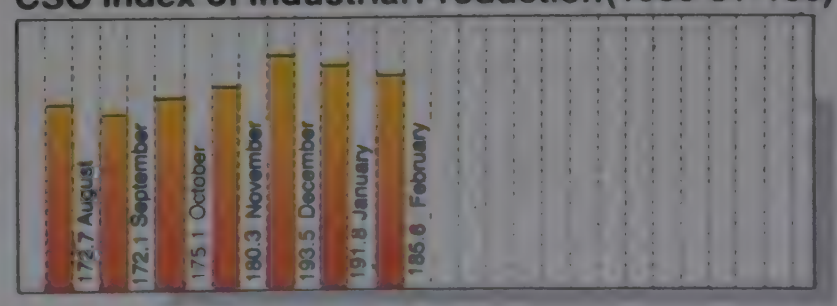
Gold (Rs per 10 gm)



Silver (Rs per kg)



CSO Index of Industrial Production (1980-81=100)





"There's something new in the air.

To make your heart race, your pulse pound and your will power wilt.

Yes, it's my all new menu!

Where the wine list reads like a vineyard of the world.

Vigorous Riesling from the Saar.

Fresh, fruity Mosel wines and Rhine vintages.

Burgundy and Rosé.

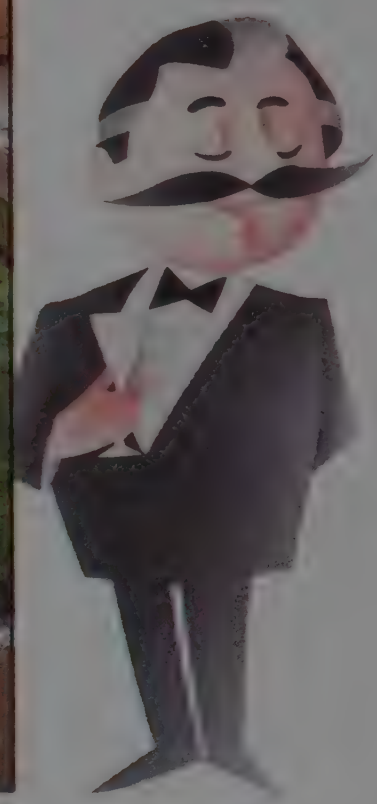
All from the wine cellars of Frankhof Kellerai

Where cheeses come from the famed house of Androuet.

Valençay, Reblochon, Camembert and Fourme d'Ambert.

"Come, let me spoil you."





Where main courses are a blend of Continental nd Oriental magic.

Malossol Caviar, pâté de foie gras, fish mousse, pked salmon and asparagus canapés.

Light meals specially created in consultation with tergenberger, internationally renowned staurateurs.

And traditional Indian cuisine.

Methi puree, mutton kallaunji, shahi tukra, murgh biryani Hyderabadi, saunte pakodi.

Where every single item on the dessert trolley is a pièce de résistance.

Just a piece of advice when you come aboard. Loosen your seat belt."

Cuisine for the connoisseur now on – **AIR-INDIA**

FITA 2325



IS MUTHIAH DROPPING STANDARD?

ON THE AUCTION BLOCK

Is A.C. Muthiah's brave new acquisition, Standard Motors, already up for sale? Knowledgeable circles say the only hope of salvation for this locked-out company lies in its acquisition by a synergistically relevant party which can inject both cash and technology.

The most logical candidate as saviour is Ashok Leyland, but the latter's answer was reportedly a 'no, thank you'. At best, Leyland might be interested in Standard Motors' press shop only. Speculation in Madras centres around whether G.P. Birla's Hindustan Motors (which has a large heavy vehicles manufacturing division in the city) might take the plunge. Or whether the indefatigable Rahul Bajaj will be tempted, now that the government has finally made up its mind not to part with Scooters India Ltd.

BETTER LEVERAGE

This is one battle Dhirubhai Ambani didn't win. When Hindustan Lever finally got its letter of intent to set up a plant for linear alkyl benzene (Lab), a major detergent input, the most obvious loser was Ambani, since it will mean the loss of the second biggest customer for his own Lab.

Moreover, the letter of intent issued to Lever clearly puts it on a par with Reliance in that the former will not have to set up a facility to extract n-paraffin (a Lab intermediate) from kerosene. Instead, Lever will be free to import the stuff, as Reliance does now. That's a saving of nearly Rs 100 crores in investment cost.

The indications are that a new subsidiary will be floated by Lever to set up the Lab project, which will come up in Punjab.

HELPING HAND

Low profile London-based non-resident Indian G.K. Rathi (of Killick Nixon) is all set to make further inroads into his mother country. According to reliable reports, Rathi is tying up a mutually beneficial deal with Homi Ranina's Mazdalease group. The latter is going through a bit of rough weather right now, partly because its ambitious, state-of-the-art packaging unit near Bombay is starved of orders after the public sector Hindustan Vegetable Oil Corporation (HVOC) played havoc by failing to place its promised orders. (The tinplate and PET — polyethylene terephthalate — lobbies are said to be behind this.)

Rathi will not only pump in some funds but also help Mazdalease find new business opportunities, particularly for export to Africa and the US, where he already has a trading presence. He will also take up an equity stake with a commensurate representation on the board.

BIG BROTHER GRABS THE GRAVY

Why did Citibank's takeover of Diners fall through? Apparently, the State Bank of India was furious that a foreign bank was in the process of bagging India's largest credit card outfit. It used its clout with the Reserve Bank to force Citi to lay off.

The State Bank is equally green-eyed while dealing with its own associate companies. Recently, when the State Bank of Patiala was profitably deploying surplus funds at 20% interest in the short-term market, SBI bullied it into depositing the money with it. The result: The State Bank of Patiala got 10%, even as the parent used the same money to earn 18%.

Not so creditable an act for Big Brother surely?

PLASTIC PUSH

Despite the doubtful profitability of the credit card business, such cards are proliferating. And that too from profit-minded foreign banks. Four months ago, Grindlays launched its Classic card with a Visa tieup. That has energised the other foreign banks. Hongkong Bank is next in line with a MasterCard tieup. Citibank, after its Diners Club takeover fell through, is now planning a tieup with Visa.

Almost all the major foreign banks, including Bank of America and American Express, are already in the card business. They discount the bills generated by the international cards in India (primarily for the five-star hotels) and claim reimbursement from abroad.

Meanwhile, Grindlays is planning to launch its Gold Card targeted at NRIs with deposits of at least $ 10,000.



Here's a hint on how often Swissair flies Bombay-Zurich non-stop.

The correct answer is once every day, as all regular shavers and Swissair regulars will know. The arrival in Zurich is early morning, in good time to catch our frequent and prompt connections to over 50 European business centres and to the four gateways in the USA. Our heart-warming hospitality and three-class option to all destinations add a sharp edge to whet the business traveller's preference for flying Swiss-style.

swissair

For details call your IATA travel agent or the nearest Swissair office
AHMEDABAD 447649 • BANGALORE 211093 • BOMBAY 2872210 • CALCUTTA 444643 • COCHIN 360380 • DELHI 3325511 • HYDERABAD 224244 • KATHMANDU 222452 • MADRAS 861583

REGD NO. MH BYS-141 TN MS(C) 673 WB CC

For those who value taste



FORTRESS AT SHUHURJEYPORE, RAJPOOTANA
Drawn by W. Purser. Engraved by Percy Heath

From the Classic collection
at ITC Ltd., Calcutta



A Contemporary Classic from ITC

STATUTORY WARNING: CIGARETTE SMOKING IS INJURIOUS TO HEALTH

MAGAZINE FOR INDIAN BUSINESS

JULY 5-18, 1989 AN ANANDA BAZAR PUBLICATION RS 7

BusinessWorld

BUSINESS BARONS

The emerging reality is that the force of personality and powerful connections hold the key to success. That's what makes a Dhirubhai Ambani, or even an R.P. Goenka, more powerful than a J.R.D. Tata in his prime. UTI's M.J. Pherwani, a crucial arbiter in corporate destinies, and Ashok Ganguly of Hindustan Lever are some other regnant business barons of today. Tomorrow's list could include a host of others, from Ratan Tata to Vijay Mallya, from Rajan Jetley to Aditya Birla.

NDDB chairman Verghese Kurien



V. KURIEN: BEYOND THE MILKY WAY

THE RISE OF THE OTHER OSWALS

Naturally outstanding

Aurelec has the best to offer from a naturally outstanding range of powerful computer systems and local area networks. All **Aurelec** computers offer superior and unmatched features like enhanced 101-key keyboards, 1.2 MB disk drives, software selectable CGA/Hercules display and much higher clock speeds than those offered by competitors. With **Aurelec** you get much more computer for only a little more cost.

Aurelec has today the largest number of LAN installations in India, and is undeniably the pioneer with the greatest experience in the field of LANs operating under the highly acclaimed **NOVELL NETWARE**, the time-tested and field-proven LAN operating system.

Aurelec, which has now built up the best custom service and support network in South India, has more branch offices – staffed with experienced engineers and well maintained stocks of spares – than any other computer vendor. And still more are on the way, to provide efficient service to an ever growing list of prestigious users.

Aurelec: Quietly building the bes

aurelec
data processing system

Archana Centre, 29 Mount Road
Madras 600 015
Tel: 418051 Telex: 041-21008 ADPS IN

ZENITH aurele

SUPERLAN
Aurelec's SUPERLAN offers the best systems and support for local area networks of computers. SUPERLAN gives singularly superior data processing throughput even when pitted against powerful minicomputers and mainframes. Unlike the traditional batch processing environment provided by minis and mainframes, SUPERLAN provides the most cost-effective ONLINE computing environment.

2AT6-XL
The only 20 MHz AT in India which, at mor than 3 MIPS, offers the best possible price performance ratio and easily outperforms mos 80386-based systems. The XL is ideal as a file server, or a powerful node on SUPERLAN, or a a stand-alone computer.

PS-20
The smallest and most affordable personal workstation, either as a stand-alone system or as a node on SUPERLAN. Despite its size it still outperforms most PC's.

DN20 or DN-2AT6
The diskless versions of the PS-20 and the 2AT6 offer SUPERLAN users the most affordable nodes together with the highest reliability and highest security. No air-conditioning is needed.

3AT6
At 20 MHz, it is the only obvious choice for high-powered 32-bit UNIX V.3 applications such as a powerful stand-alone workstation. It can also be used as a fileserver or a node on SUPERLAN.

2AT6
At 10 MHz 0 wait state, the 2AT6 is still the bes buy among all AT's, whether as a SUPERLAN node or a stand-alone computer.



AURELEC DATA PROCESSING SYSTEMS. **AUROVILLE**: (0413) 25855 • **CALICUT**: 60936 (PP) • **COCHIN**: 361960 • **COIMBATORE**: 22085 • **MADRAS**: 418051 • **MADURAI** 35858 • **PONDICHERRY**: 24853 • **TRICHY**: 41268 • **DEALERS**. INFONET SERVICES, **COIMBATORE**: 24092 PP • COLT COMPUTER CENTRE (P) LTD., **MADRAS**: 472889 • THE COMPUTER SHOPPE, **MADRAS**: 447539 • EASO JOHN & ASSOC., **MADRAS**: 451236 • MICROHOUSE COMPUTER SYSTEMS, **MADRAS**: 459129 • PC INDIA, **MADRAS**: 867029 • ALPHA COMPUTER SYSTEMS, **PONDICHERRY**: 25177 • LAN COMPUTER MART, **TRICHY**: 40260 • ZENITH COMPUTERS LTD., **BOMBAY**: 6366030 4 • **AHMEDABAD**: 464810 • **BANGALORE**: 76548 • **CALCUTTA**: 483561 • **HYDERABAD**: 86102 • **NEW DELHI**: 5712756 • **PUNE**: 436944 • **GOA**: 7591

VOLUME 2 ■ ISSUE 1
JULY 2-15, 1989 Rs 7

BusinessWorld

The magazine for Indian Business

Editor
R. Jagannathan
Assistant Editor
Parthasarathi Biswas
Special Correspondent
Sumit Mitra in Delhi
Bombay
Debashis Basu
Maya Rao Choudhuri
Arati Ghosh
Somesh Vijay
Delhi
George Iype
Asim Samvad
Calcutta
Sujoy Gupta
Madras
Vinay Kamath
Bangalore
N. Ramanan
Hyderabad
P.L. Dwarakanath Rao
Special Contributor
Sumanta Roy
Chief Sub-editor
Mukul Pandya
Sub-editors
K. Madhavadas
Anil Wanvari
Roy Pinto
Niranjan Upadhyaksha
Art Director
Amiya Bhattacharya
Layout
Hajoo Assam E
Kiran Parker
Marshall Mascarenhas

■ **Editorial Office**
145 Atlanta 209 Ceremonial Boulevard
Nariman Point Bombay 400021
Phone 221178 233193
Circulation/Subscription enquiries
Bombay: Ph. 260268
■ **Head Office & Regd. Office**
Ananda Bazar Patrika Limited
6 Prafulla Sarkar Street, Calcutta 700001
Phone 278000 274880
Regional Offices
Bombay
145 Atlanta
209 Ceremonial Boulevard
Nariman Point Bombay 400021
Phone 240581 240426
Delhi
17 IENS Bldg
Rafi Marg
New Delhi 110001
Phone 385401 Ext 37 (Editorial)
383058 (Editorial)
389078 (Advtg.)
Madras
Dents Garden 18 Pattulos Road
Madras 600002
Phone 869379 868227
Bangalore
14 Madras Bank Road
4th Floor
Bangalore 560001
Phone 568227 568228
London
Wheatsheaf House Carmelite Street
Fleet Street London EC4
Phone 01-353 1821
Inland Subscription Rates
One Year Rs 110
Two years Rs 220
Three Years Rs 330

BusinessWorld does not accept responsibility for returning unsolicited manuscripts and photographs. All unsolicited material should be accompanied by self addressed envelopes and sufficient postage

Published from 145 Atlanta, 209 Ceremonial Boulevard, Nariman Point, Bombay—400021 and printed at 6 & 9, Prafulla Sarkar Street, Calcutta— 700001 for Ananda Bazar Patrika Limited by Ranen Chakraborty

BUSINESS QUOTES

■ **The government of India is out to harass the (cigarette) industry. Someone in the finance ministry must be on a no-smoking drive.**

Godfrey Phillips India president K.K. Modi on the excise claims on the cigarette industry, quoted in *India Today*.



■ **I'm not going to be a Birla or an Ambani tomorrow. But we will be the country's top food company.**

Indodan group chairman H.S. Jalan, quoted in *The Economic Times*.

■ **Labour has today lost its teeth.**

Trade union leader R.J. Mehta, quoted in *Sunday*.

■ **We can't talk of export-led growth with our population and our market demands but we have to try and increase our export earnings.**

Industrial Finance Corporation chairman D.N. Davar, quoted in *The Telegraph*.

■ **I think our subsidies have gone pretty mad. We need a second look at our subsidy regime.**

Former Planning Commission member A.M. Khusro, quoted in *Financial Express*.

■ **The capital market is suffering from a lack of floating stock. (It is) necessary to find ways and means of floating more stock.**

Reserve Bank governor R.N. Malhotra, quoted in *The Indian Post*.

■ **I still keep hammering away at the government to try and make changes but I don't feel terribly frustrated because I recognise the weaknesses...**

Assocham president Viren Shah, quoted in *Sunday Mail*.

■ **We have lived with it in the past and will live with it now. I do not think Pakistan poses any threat to India.**

Prime minister Rajiv Gandhi on US arms aid to Pakistan, quoted in *Business Standard*.

■ **It was important to see that democracy was rewarded, particularly in levels of assistance. If the assistance tapered off, it would send a message, whether it was meant to be sent or not, that democracy doesn't pay.**

Pakistan prime minister Benazir Bhutto on why the US should increase aid to that country, quoted in *Time International*.

■ **Every one of us can fall into the trap of thinking, 'I don't need change'. It's like drug or alcohol addiction.**

AT&T CEO Eugene Allen, quoted in *Fortune International*.

While other high-profile corporate predators were offering for *The Indian Post*, one name which didn't come into the reckoning was Vijay Mallya. But that's not because the UB group supremo is not interested in the publication business; he already is in it.

"Why should we be (interested in the *Post*) when we have our own baby?" he asks rhetorically. The baby is *Business Update*, a defunct magazine which fell into his lap when he took over the Pune-based Western India Enterprises. (A.S. Wardekar, Western India chief, owns a slice of *Update* which he is passing on to Mallya. Wardekar had also extended substantial loans to the magazine, which the other owners may pay back in equity.)



MALLYA IS UPDATING BUSINESS

Mallya is putting in Rs 1 crore to revive *Update*. But nothing is yet certain about the launch date or whether it will continue as a fortnightly. "It is still in the planning stage," he says. "We are working on it and awaiting the results of the market survey." One should hear more of *Business Update* when Mallya gets his market update.

For Alberto Caberlotto, vice-president of Lotto SpA, the quality and reputation of his shoes are his leitmotif. "We would like to be the Mercedes and Ferrari of the shoe business," says he. The Rs 407 crore turnover, Italy-based shoes and apparel group is not in the same league as giants Adidas and Puma. But Caberlotto is happy over the way things are going. "We don't want to become big and enter mass production like others. Our quality and brand respectability might suffer."

The search for growth clubbed with quality has led him to Indian shores. The result: a technical tieup with Consolidated Footwear Ltd., which has already started manufacturing and marketing "hi-tech, high-quality" sports shoes under the Lotto brandname. The Consolidated-Lotto combine, under the stewardship of managing director L.J. Tanna, is also planning to go into the production of casualwear shoes and apparel later.

Caberlotto is confident that the market will not give his shoes the boot. "The Indian customer has not seen anything like this before," says he. Adds Tanna: "We will create the awareness for quality shoes even before others come into the country." Given the coming competition, Lotto will need a lot o' effort to capture the market.

LOTTO MEN CABERLOTTO AND TANNA (R)





Veer Sagar, the new executive director of DCM Data Products, is bound to find his new assignment no bed of roses. The ailing DCM group company has not only been bleeding red from every pore, but it has also witnessed a massive brain drain.

"My new assignment is going to be a tough task but a challenging one," says he. "My immediate priority is a 'we care' campaign both within the organisation and outside."

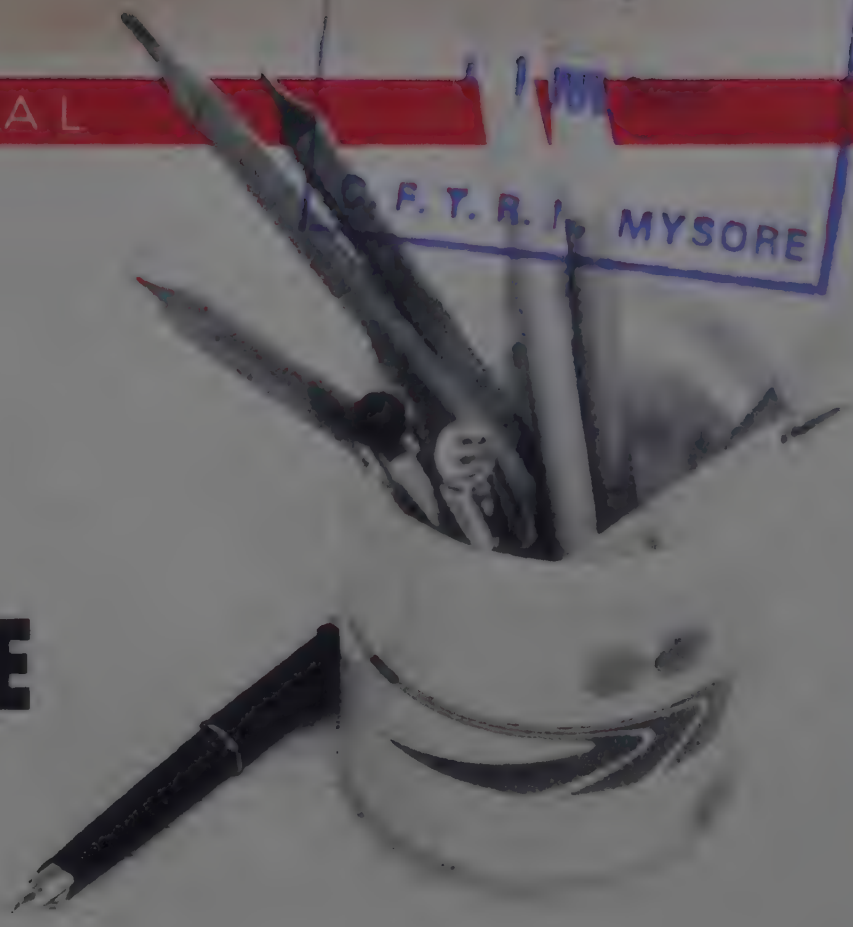
It is mandatory on both fronts. The company has been experiencing an employee turnover rate of nearly 30 a month and its customer service has all but gone to the dogs. "I am trying to regain the old credibility of DCM Data Products in the computer industry," says Sagar.



SAGAR SETS HIS SIGHTS HIGH

He has other ambitious plans too. He has set for himself a turnover target of Rs 100 crores for 1991-92. That's thinking big considering that the 1988-89 figure (annualised) was only Rs 26 crores. DCM Data Products, whose recent claim to fame has been its high employee turnover, is now trying to repeat that in more commendable areas.

F. T. R. I., MYSORE



INDIA IN THE RAINS

It is raining all over the country. The farming community apart, this time around politicians of various hues too are keeping their fingers crossed in the hope of a good monsoon. Thanks to the impending general elections — the ninth Lok Sabha will have to be sworn in by early next year — many a fortune depends on the benevolence of the weather gods.

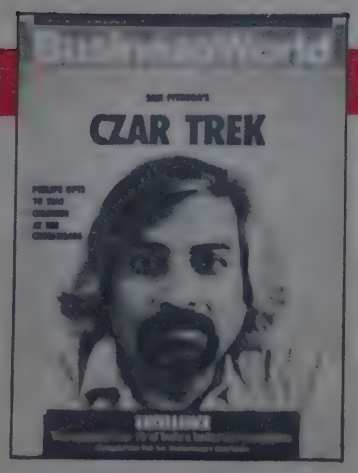
Judging by initial trends, the monsoons seem to have begun well. Reports from the districts indicate that transplanting operations are being done as per the normal schedule. This is a good augury that the kharif harvest will be a bountiful one whose aggregate yield will cross the 100 million tonnes mark — the second bumper harvest in succession.

This is indeed good news not only for farmers and politicians, whose immediate self-interest is obvious, but for the citizenry at large. Both national foreign exchange reserves and the cereal bufferstock are currently languishing at low levels; therefore, a bumper crop is exactly what the country needs this time.

Last year, India's "marginal" import of foodgrains to bolster the central bufferstock cost all of $600 million (Rs 1,000 crores) in foreign exchange — a stiff price. If foreign exchange of this order can be saved this year, it will partially relieve the reserves crunch. (In fact, with a bumper oilseeds harvest also slated to save us an equal quantum of foreign exchange, finance ministry officials must be keeping their fingers crossed firmly too.)

The government would be well advised to ensure that its agencies do not goof up on procurement. This is what happened last year, when (surprisingly) procurement levels did not exceed the low, drought-afflicted levels of 1987 (under 20 million tonnes of cereal). Surely, if the foodgrains harvest exceeds 170 million tonnes for the second time running, there is no reason why the procurement exercise should falter at 1986-87 levels. The need of the day is a debottlenecking of procurement operations.

An adequately fed nation is bound to turn out as a happy hunting ground for politicians. One lot will no doubt claim that this plentitude is the direct beneficial fallout of its wise policies. The opposite camp will declare, on the other hand, that the weather gods' smiles cannot blanket manmade misdeeds and corruption. Truly, this promises to be an entertaining silly season.



INCORRECT STATEMENT

This refers to your article on 'Pitroda's czar trek' (*BW* 10-23 May). On p.59 the article says:"The failure rate of C-DoT's EPABX is astronomical: the Bombay-based Meltron, for instance, is experiencing about one failure a week in the systems it has manufactured." This statement is not correct. Please let us know who has provided you this information.

The C-DoT exchanges manufactured by Meltron undergo strict quality control. The breakdown levels are far lower than the one per week indicated in your article, and in fact we are ensuring that downtime (on working days) in metropolitan areas is a maximum of 2 hours in case of any failures.

We look forward to your reply and clarification on this matter.

A. N. KSHIRSAGAR
General manager,
Meltron
Bombay

The information about Meltron's 128-port EPABX system is based on the findings of the inter-departmental committee set up to review the progress of C-DoT. The committee was headed by V.M. Sunderam, member (technology) of the Telecom Board, who has since retired.

The report, inter alia, noted that "Meltron indicated approximately one failure per week in the systems manufactured by them. Analysis of the failures by them (sic) is reported to be 80% due to the failure of components and the balance due to the workmanship."

However, it is possible that Meltron may have taken steps in the past few months to rectify the defects and improve the performance of the system. — Editor.

YELLOW JOURNALISM?

This refers to the 'In the news' report titled 'Yellow peril' (*BW* 10-23 May). I would like to draw your attention to the paragraph beginning "Nor is everybody... tell another story" which appears on p.31 of the magazine. This paragraph is fraudulent for the reasons given below:

1. *Selpages Industrial Reporter* was not a business and services directory of sorts.
2. For your kind information, *Selpages Industrial Reporter* has not been published since September 1988. It was a monthly.
3. It is contended it has a "higher circulation than any other industrial magazine in India." Whom are you attributing this line to? I never uttered such words.
4. Your report refers to "stacks of unsold copies in Chhugani's office." Your reporter did not see the copies, she was shown the copies. What she saw was thousands of *Yellow Pages* copies (Selpages) 1988 edition. Besides, *Selpages Industrial Reporter* was never sold on the newsstands. This fact alone nails the lie that you have published.
6. Regarding my silence on the circulation. I was not silent, I gave your correspondent some figure of 146 copies.

Your reporter is also silent about the most important part that Sellaids Publications has been publishing the *Yellow Pages* (Selpages) since 1984.

I wonder whether you will print this letter in your forthcoming issue. I have enough experience of newspapers and magazines which deliberately distort the truth and then do not publish statement correcting them.

I.K. CHHUGANI
Sellaids Publications
Bombay

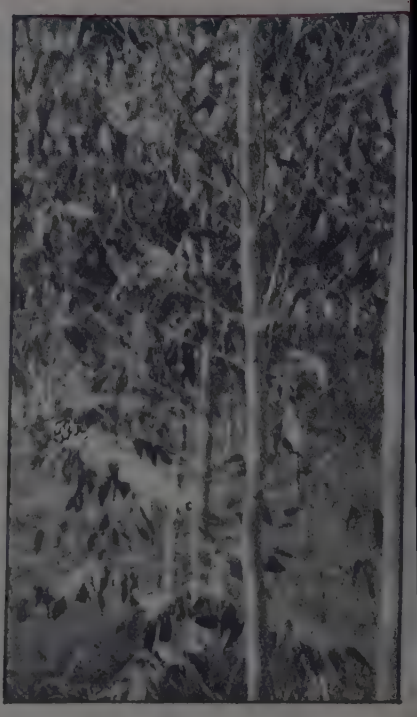
Point 1: Selpages was an industrial products directory, and not equivalent to what comes out in the Yellow Pages. That's why we called it a "business and services directory of sorts."

Point 2: Thanks for the information.

Points 3, 4 & 5: We stand corrected. But we would like to underscore that much of the confusion could have been avoided if Mr Chhugani had given our correspondent straight answers to questions instead of raving and ranting against UDI's Yellow Pages and the Mahangar Telephone Nigam Ltd. (MTNL). For example, when we asked him about the circulation of his Selpages Industrial Reporter, he mentioned a figure of 146 or 147. If that's true, future advertisers in Mr Chugani's publications should take note. If it isn't, we stand vindicated in our claim that Mr Chhugani did not give us straight answers to some of the questions we posed.

We emphasise that BusinessWorld has nothing against Mr Chhugani and his business, nor do we hold a brief for MTNL or UDI. If Mr Chhugani sees any "fraudulence" in our reportage it is a figment of his imagination. And, yes, if we make mistakes, we acknowledge them — Editor.

ABSORBING EDIT



Once, in the *Indian Express*, author M.M. Buch had quipped: "If the race of modernisation sets wrong priorities, we may ultimately end up in a state of medievalism instead of the 21st century." And your absorbing editorial "A Neglected Priority" (*BW* 10-23 May), which is a sad commentary on the quality of our priorities, reaffirms the same fact!

Forests have been not only a chief source of our food, energy, shelter and rain but also the life blood of both the human race and wild animals. They have served us "as the basic sustenance of life support systems," as one writer remarked. But it is a gruesome fact that they have been the subject of our negligence and apathy. Even wood-based industries and the Indian government are paying little heed to the sorry state of our forests. We may egg paper manufacturers on to participate in output raising projects, but will our government ever show any firmness on its part?

SANJEEV KUMAR SINHA
Darbhanga
Bihar

NEW INCENTIVES | SURPLUS POWER | SKILLED MANPOWER | EXCELLENT COMMUNICATIONS

•THAT'S ADVANTAGE MAHARASHTRA•



WHEN YOU THINK OF INDUSTRIES

Set up your industry in Maharashtra. And avail of the new 1988 package of incentives. Super incentives you would have hardly imagined any State would give.

Extraordinary features:

Substantial increase in Sales Tax incentives and Special Capital Incentive. Incentive periods raised upto 10 years. Sales tax exemption/ deferral made available where expansion/diversification is undertaken with minimum Rs. one crore investment. Extra incentives provided for energy saving devices, pollution control measures and for local employment. For power intensive units, there will be refund of electricity duty. Resource-based industries get incentives on par with other industries. You get these incentives practically all over Maharashtra except Bombay/Pune and some nearby areas.

For details contact:
The General Manager – Business Development

SICOM

THE STATE INDUSTRIAL AND INVESTMENT CORPORATION OF MAHARASHTRA LIMITED
Nirmal, 1st floor, Nariman Point, Bombay-400 021.
Phone: 2023018, 2021855 Telex: 011-3066
FAX: (022) 2023008

SICOM

The ingredients for success

Besides, Maharashtra offers your industry everything it needs to thrive. Unrestricted power. Abundant water. A readymade communications network. Infrastructure complete with modern amenities in the Growth Centres. A ready market and most of all, an industrial culture that provides skilled productive labour.

SICOM – to top it all

Whatever the size of your unit – medium or large – you can depend on SICOM for plant location, technical guidance, finance and escort services. Everything you need to get your industry off to a flying start.

LETTERS TO THE EDITOR

MISLEADING CLAIM

Your claim that Hindustan Lever "footed the bill for part of Nirma's advertising expenses through-an-out of court settlement that is supposed to have left Nirma much plumper in the pocket" (*BW* 7-20 June 1989, p. 62-63) is totally false and misleading.

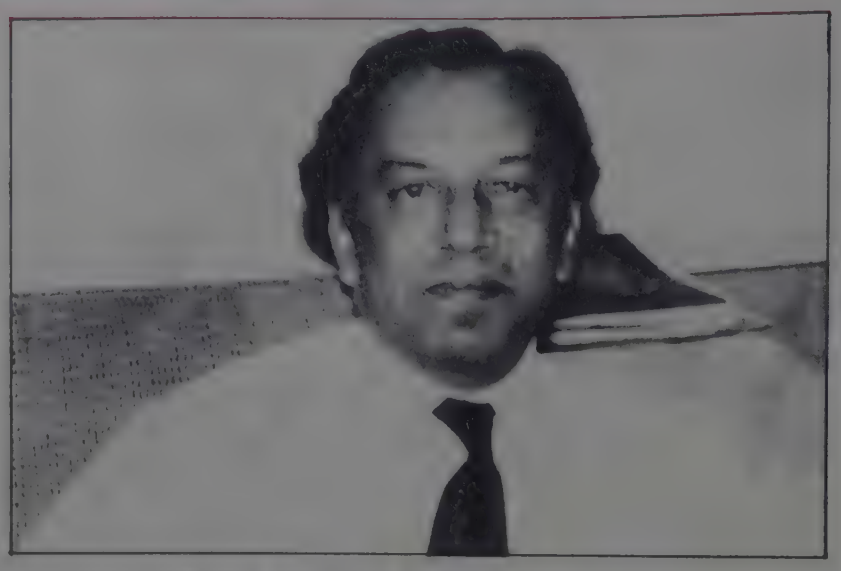
What really happened is that Nirma voluntarily withdrew its complaint when it realised that there was no truth whatsover in its suspicion about Hindustan Lever's market research fieldwork. Market research in respect of one's own brands as well as competing brands is a well accepted practice, not only in India but also internationally. It is, therefore, unfortunate that a business magazine of your standing should have chosen to describe such an activity as suspect marketing practices.

The fact is that Hindustan Lever did not make any payment whatsoever in consideration of Nirma withdrawing its complaint. How Nirma funded its advertising expenses is something that is best answered by Nirma.

IRFAN KHAN
General manager
Corporate Communications
Hindustan Lever
Bombay

THE RIGHT MAN

I was delighted to read in your Offstage column (*BW* 26 April-9 May) that Shiv Srivastav is taking over as deputy managing director of Dunlop India. Srivastav has had a good stint at Brooke Bond and is noted for discipline, which is required at



SRIVASTAV'S DISCIPLINE WILL COME HANDY

Dunlop.

Lethargy has crept into this company. Capoor and Srivastav should set things right. In the export department of Dunlop House there is a general manager and about half a dozen managers — junior and senior. What one export manager can do is being done by this battalion. Among the managers, at least 30% can be retrenched. Srivastav should improve the image of the company and protect the interests of the shareholders.

S. SANKARAN NAIR
Madras

CHINA'S PROBLEMS

Editorial writers in India have been at their sanctimonious best while addressing happenings in China. However, they have missed out several points.

It is extraordinary for a declaration of martial law to be followed by nearly two weeks of military inaction. This testifies either to extreme inefficiency of the People's Liberation Army, which is not credible, or, as is more likely, to an extreme unwillingness to turn guns on one's own people. The latter is commendable, not condemnable.

And who are we Indians to pass judgement on these matters? Our army's record, since independence, in Punjab and in Sri Lanka, to name but a few places, is hushed up in a nationwide cover-up.

Oh, but those were guerrilla wars, we say, as if humanity takes leave during such a war. Or we obfuscate, calling it a police action. From Hyderabad to Goa to Meerut and beyond, the line is long and abominable.

But we can take pride in the fact that the Chinese have learnt from India. Mahatma Gandhi, in a radio interview in the late thirties, had suggested that the Jews march cheerfully into gas chambers. Worldwide public opinion would pull down the Nazi regime in short order. The Chinese students look like exemplary followers of the Mahatma.

And the Chinese government too has taken a leaf out of our book. Did you not notice their invocation of the "foreign hand"?

R. SIDDHARTH
Bangalore

A HINDI BW?

Please let me know whether a Hindi version of *BusinessWorld* is available in the market. Alternatively, is there any other magazine of its type in Hindi published from any place?

PROMOD KUMAR SINGH
Arrah
Bihar

No, we don't have a Hindi edition. Nor do we think a Hindi equivalent exists. — Editor.

SOME SUGGESTIONS

I am a regular reader of *BW* and am pleased to notice its improvement over the months. I am convinced that it is the most readable business magazine on the stands.

I have, however, a few suggestions.

- I would like to see more cover stories written on particular industries — if possible, on a regular basis.
- I would like to have more data in the form of graphs, charts and figures in your stories. When your reporter writes "The software market has increased 5-fold in the last five years ..." (a hypothetical example), I would like to know exactly by how much, in figures.
- It would be a good idea to have a crossword puzzle in every issue — based predominantly on Indian business.
- Marketing needs a lot more space than is currently given. The reports, moreover, should be analytical and scathing.
- Of late, there has been a slide towards political issues not related to business. Pamela Bordes is not exactly needed in a business magazine.

SANDEEP SAHA
Indian Institute of Management
Calcutta

DOUBLE STANDARDS

The government is adopting different yardsticks for spending scarce foreign exchange on the import of aircraft.

In the case of Indian Airlines, the cabinet committee on economic affairs brushed aside the recommendations of the Planning Commission and the Public Investment Board to halve the import of additional Airbus 320s from 12 to 6. Unmindful of the worsening foreign exchange crisis, the committee recently approved the import of 12 additional Airbuses.

In the case of the Border Security Force (BSF), the foreign exchange crunch is being cited as the reason for putting in cold storage the import of an unspecified number of light fixed-wing patrol aircraft. The BSF urgently needs these planes to upgrade its operational capabilities, particularly for tackling the menace of smuggling on the Indo-Pak border.

Even as an official evaluation committee is assessing an assortment of aircraft for shortlisting, the home ministry has poured cold water on the proposed imports.

The ministry says: "On reconsideration of the matter, it is felt that the issue involved is one of selecting a suitable aircraft and its purchase, subject to availability of funds, especially foreign exchange, for the most economical yet safe aircraft. In view of these factors and the overall need for economy, it may not be possible to forecast the actual date by which the procurement of aircraft will materialise. Such procurement is a part of the normal expansion programme of the force (BSF) and is a continuing process."

The plane truth is that the well-heeled user of Indian Airlines can kick up a fuss if his needs are trifled with. Men in uniform cannot do that.

FOOD FOR THOUGHT

The prime minister, with his penchant for putting his foot in the mouth, creates problems all round. Now it is the ministry of food and civil supplies which is running scared after Rajiv Gandhi made his untenable statement in Cuddapah, Andhra Pradesh, that the state's chief minister was "cheating" tribals. How? By supplying them with rice at Rs 2 a kg while receiving it at Rs 1.80 a kg from the Centre.

The prime minister's charge is ironical, because among all the states, it is Andhra Pradesh which gives the largest subsidy for food distribution under the integrated tribal development project (ITDP). The issue prices of the common, fine and superfine varieties of rice per kg are Rs 1.94, Rs 2.64 and Rs 2.75 respectively. The Union food and civil supplies ministry has pegged handling charges (to be paid to the state government) at 25 paise a kg, thereby fixing the retail price under the ITDP at Rs 2.19, Rs 2.89 and Rs 3 for the three rice varieties respectively.

Andhra Pradesh has, on its own, been supplying rice to tribals at Rs 2 for all varieties. If one takes the effective rate of subsidy on this, it works out to at least 77 paise per kg, calculated by taking into account the all-India varietal composition of rice, which is 26% for the common variety, and 22% and 52% for the fine and superfine varieties. In the case of Andhra Pradesh, the effective rate is even higher, because its percentage of the common variety is lower than the national figure.

Thus, a state which spends almost Rs 300 crores to subsidise food is being accused of cheating the tribals, while other states which actually pass on the total cost to the tribals are not criticised.

The Union ministry, thus does not know what to do. Its senior officials suddenly became "busy" around mid-June and stopped meeting reporters. Minister of state Sukh Ram was also not available for comment.

The Prime Minister makes a *faux-pas* and it is his subordinates who are forced to hide

FOOT IN MOUTH AGAIN



TOO MANY COOKS?

Dinesh Singh seems to have lost some of his earlier elan Whether this is due to the circumstances under which he works, one does not know. Though he has, in the past, held both the external affairs and commerce portfolios, the Raja of Kalakankar is still to find his feet in his second *avatar* as commerce minister. This may be because decisions concerning his ministry may have been taken elsewhere. Even so, some of his initiatives may not yield the desired results.

Singh reportedly wants a common chairman for the State Trading Corporation (STC) and the Minerals & Metals Trading Corporation (MMTC), which are currently headed by Bhupindar Singh and I.P. Hazarika respectively "until further orders." Both of them had grown with the public sector trading institutions and were appointed to their positions only early this year. To upset the applecart now will only mean more uncertainty — which both institutions can certainly do without. .Unless Singh is thinking of a holding company, the common chairman concept will only create more complications.

As if this is not enough, the commerce ministry itself may soon have three senior officials of secretary rank. The incumbent commerce secretary is Amar Nath Verma. Following the problems created by Super 301 and Special 301, the government apparently wants a special officer to deal exclusively with the General Agreement on Tariffs and Trade (Gatt). By the time this item appears in print, A.V. Ganesan may already have been installed as special secretary and chief negotiator dealing with the Uruguay round, intellectual property rights and so on. Ganesan is, of course, well-qualified for the job. But Verma may feel slighted by his appointment.

Singh may not have much to do with this. But he is certainly said to be toying with the idea of promoting Surendra Singh, an additional secretary in the ministry, as special secretary. What will Surendra Singh do? Reports suggest that a department of export production will be carved out of the commerce ministry, with Surendra Singh in charge.

Will all this amount to too many cooks spoiling the broth?

SPEECH DELIVERED BY K.L. CHUGH, CHAIRMAN, VST INDUSTRIES LTD., AT THE 58TH ANNUA

Ladies and Gentlemen,

It gives me great pleasure to welcome you to the fifty-eighth Annual General Meeting of your Company.

May I now declare the meeting open by first introducing my colleagues on your Board of Directors.

During the period of 18 months, there have been major changes in the composition of your Board. Sri K.K. Pillai retired on superannuation after 13 years of distinguished service, leading the Company as its Chairman for 6 years. Sri F. Rehman laid down office after contributing purposefully for 15 years. Sri S.K. Roy resigned on personal grounds and Sri B.L. Bery stepped down from the Board, but will continue in a senior executive position in your Company till his retirement in August 1989. I am sure you will join me in thanking the outgoing directors and recording our deep appreciation of their services during their long periods of association with your Company.

position of 0.85 on historical basis and with the thrust on marketing, quality and technology in the coming years, your Company's balance sheet will have the strength so essential for its growth and future plans.

I am happy to report that our sales to date in the current financial year are running well ahead of the comparative period in the previous year, and unforeseen circumstances apart, the expected surplus from the year's operations will be better than the last financial year. Your Company's strategy of achieving a unique place in the next few years gives me confidence of greater achievements and that is what I would like to share with you.

OUTLOOK ON THE INDIAN ECONOMY

The most heartening feature of our business environment in the past year has been the promise held out by the Indian economy. After four years of drought, the past year saw an



The Report and Accounts of your Company, including the Notice to Shareholders, have been in your hands for some time, and with your permission I shall take them as read.

You would have observed that the profit has staged a healthy upswing and cash earnings have substantially improved. Gross sales at Rs.434 crore improved by 11.5% over the past year on an annualised basis. After payment of Rs.332 crore as excise duty, the net income at Rs.102 crore registered an increase of 8.3% on an annualised basis. From the profit after tax of Rs.4.8 crore, your directors are pleased to recommend a dividend of 50% for the 18 month financial year, an improvement of 15% over the past year. Your directors are also pleased to recommend a bonus in the ratio of 3 equity shares to 5 equity shares held, subject to your and CCI's approval.

Your Company's shares have crossed the fifty-rupee line for the first time. This is a definite sign of the market's confidence in your Company. Even after the proposed 3:5 bonus issue, your Company would maintain a healthy reserve position, with the free reserves ahead at just over 1:1 times the paid-up capital. With a debt : equity

excellent monsoon that is widely regarded as the best of the century, when 32 out of 35 meteorological sub-divisions received normal or more than normal rainfall, and this has led to a strong recovery in agricultural production — from 138 million tonnes in 1987-88 to 170 million tonnes in 1988-89. The enhancement in purchasing power, arising from the steep increase in agricultural income, together with the emergence of a burgeoning middle class, has created a surge in consumerism and generated a buoyant market for goods and services resulting in stepped-up industrial production by over 9% with the manufacturing sector recording a growth rate of over 18%. If predictions of another good monsoon, expected to be 2% above normal, materialise, the momentum of growth recorded at 9% in 1988-89 may be expected to be sustained through 1989-90 with a beneficial impact on trade and industry.

The process of liberalisation, started in 1985-86, has gained momentum and has served to open up the economy with its attendant benefits and hotting up of competition. It is natural that in such a climate the customer would demand better quality and higher value for money, a challenge which will have to be faced by business.

The specific thrust on exports in our Foreig Trade Policy to correct the adverse Balance of Trade position, provides a new but definite orientation to our business.

Three remarkable features of India's trade performance in 1988-89 were:

(i) The sharp acceleration in exports during th period December 1988 to March 1989,

(ii) the sharp deceleration in imports from 40% in December 1988 to just 11% in March 1989, and

(iii) a trade surplus of Rs.78 crore in March 198 — the first ever surplus in more than a deca

The capital market in the country has attained a level of buoyancy unparalleled in the past. This would not have been so but for the liberalisation of Government Policies and the active role played by the Financial Institutions in building up the equity culture and financing developmental effort. With new and innovative instruments being launched on a regular basis, encouraging personal savings which are already amongst the highest in the world, it is expected that market funds for modernisation and growth would become available more readily than in the past. The onus henceforth would lie entirely on the corporate sector for their effective utilisation

It would indeed appear that India is poised t play a significant role in the international econor

QUALITY — A FUNDAMENTAL PART OF STRATEGY

In their highly successful book, "In Search of Excellence", Peters and Waterman say that excellent companies are obsessed with quality and reliability. These characteristics constitute an essential part of the value system and strategy of these organisations.

The concern for quality is not new, but in an increasingly competitive and complex market place that promises to extend beyond our domestic boundaries, it would become imperative to restructure our competitive approach to make quality a load-bearing element in our business strateg

The underlying policy of your Company is to produce tobacco and cigarettes of the highest quality, thereby providing the consumer best value for money. This orientation in competitive strategy is partly the result of new evidence that quality has a direct impact on both market share and profit margins. Technological sophistication, shortened life-cycles and more rigorous competition, combined with increasing consumer awareness, are among those features that argue for a strategy that includes quality as a competitive advantage.

There is no one factor that can be singled out as a key to achieving quality. Quality is all-pervasive — an attitude of mind that has to be transformed into organisational culture where it becomes everybody's responsibility.

However, there are three major factors that stand out in contributing most to quality.

QUALITY THROUGH GOOD HOUSE-KEEPING AND SAFETY

How often is it that one sees disorder on the shop floor debasing the quality of a product. A clean work place is probably the least expensive



way of bringing about substantial improvement. It is accepted, without much argument, that high quality products cannot be produced in a dirty work place.

Your management is determined to make your factory the cleanest place, where quality consciousness can thrive. The investment in upgradation of plant, machinery and production processes must be preceded by the task of achieving a clean work environment. You would be pleased to note that this message runs very deep in your Company, and determined efforts are being made to upgrade standards of house-keeping.

Similarly, a safe work place is a prerequisite to quality of human performance. Good safety standards must necessarily be achieved through management attitude and worker education. It is not uncommon to find management giving scant attention to building "safety first" measures into plant and machinery and work practices. Accidents tend to be recorded and explained away rather than avoided through meticulous planning, training and adherence to stipulated practices. Often this would involve keeping the pathways clean, protecting personnel from moving parts of machinery, keeping extraneous parts away from the work place and giving special attention to movement systems and fire hazards. Managers are tempted to dismiss a zero-accident rate as impossible to achieve statistically: yet the acceptance of anything less is tantamount to tolerating fatal mistakes and an acknowledgement of failure even before having started.

I am happy to state that over the past 12 months, safety has received special attention in your Company — a separate and dedicated resource has been set aside; systems have been formulated; and people have been educated. Nevertheless, there is a lot more that needs to be done and I feel sanguine that over the next one year there will be further progress. Presently, I see extraordinary consciousness and commitment of people towards making VST a safe place to work in. This augurs well for the overall quality drive.

QUALITY THROUGH TECHNOLOGY

One of the major problems afflicting Indian Industry today, is technological obsolescence. It is unfortunate that we are considerably behind the technological frontiers, and unless urgent measures are taken to modernise, we will only fall back further. High costs and paucity of capital restrict investment in R&D, despite our possessing the third largest bank of scientific talent in the world. What is heartening, however, is the fact that despite adversities, India has made significant progress over the last four decades, and today, is competent to manufacture some of the most sophisticated products, albeit at higher cost and often, to lower quality standards. Both the Government and Industry acknowledge the urgency of undertaking modernisation programmes to improve quality and reduce costs. It is also acknowledged that, whereas we, as a Nation, should invest more in R&D to develop our own technologies, it would be necessary for us to import these in the short term, in order to close the technology gap. While recent Government Policies are supportive of this strategy and are certainly a step in the right direction, it would be only appropriate for the Industry to respond to the current call for increased exports to help keep the adverse Balance of Payments position under check.

We are witness to a rapid pace of technological growth and development in industry the world over. The current pace of technological progress is bound to create some very difficult issues for business management. The way a company manages technology will have significant implications on its long-term health.

It would be pertinent, while considering technological growth, to examine the choice of technology in relation to the phase of the company's existence. Your Company has been in the tobacco and cigarette business for over 58 years now and is well-equipped as far as basic technology is concerned. Instead our immediate concern shall lie in the development of key technologies, focussing on process development, product innovation, product improvement and product range.

It is generally believed that Tobacco Processing and Cigarette Manufacturing is a low technology business, employing low levels of scientific knowledge and skills. This misplaced understanding has affected attitudes towards the industry, leading to little attention being paid to development of key technologies and their effective application to make business competitive. On the contrary, I would like to define this Industry, technologically, as a precision industry.

Cigarette making machines today operate at an output rate of 10,000 cigarettes per minute or 170 cigarettes per second. You can well imagine the quality of precision and sophistication of technology built into these machines. Similarly, Tobacco Processing technology has to be capable of achieving controlled chemistry, stringent moisture control, strict adherence to smoking characteristics and divergent specifications of various blends, very often from tobacco with varying characteristics, despite its having been grown in adjoining fields.

The use of complex electronic devices, therefore, is making the technology increasingly more precise and sophisticated.

It is this view of technology that we have taken at VST and in fulfillment of the objectives arising out of this understanding of technology, your Company has developed a modernisation package including its PMD and SMD

The modernisation of the Primary Manufacturing Department employs the most contemporary process and equipment technologies and gives it the leadership within the country and places it on par with the best in the world. The process control equipment will not only improve the processing of tobacco, increasing yields and filling power, but also ensure consistent quality to the consumer.

To fully exploit the gains of the modernisation of PMD, your Company has started, in a phased manner, the modernisation of its cigarette manufacturing facilities. It is expected that, with the completion of this programme, VST would attain a distinct competitive edge.

As a measure towards strengthening its future business standing, your Company proposes to draw up plans to induct pacing technologies. Today, three areas are recognised as being areas of pacing technologies with the potential to become key technologies tomorrow. These are the areas of Materials, Information and Bio-technology.

In Materials, concern for safety, energy conservation and weight reduction, together with ease of processing and the high level of precision that can be achieved in processing, have spurred an interest in many new composites and inorganic materials. The revolutionary development of the computer chip permits function enrichment of many conventional products and processes. More importantly, they make possible whole new families of products. The more glamorous areas of Information Technology, such as artificial intelligence, will soon be affecting our lives in a most profound way.

Bio-technology, likewise, offers a number of interesting possibilities and, in respect to tobacco growing, could be an area of immense interest to us at VST.

Over the past 3 decades, VST has acquired expertise in cultivating air-cured tobacco. R&D efforts in developing SCN tobacco as a monsoon crop, in lighter soils, have been extremely successful, resulting in a breakthrough in tobacco cultivation technology, benefiting the Company with dispersed leaf inventory and lower costs. The tobacco produced has better resilience and a chemistry that lends itself to use in specific blends of higher value addition. It is a heartening achievement and I have no doubt that the Leaf Group will now respond to the challenges of Bio-technology and usher VST into the era of pacing technologies.

QUALITY AND TECHNOLOGY THROUGH PEOPLE

In a scenario where economic growth is fuelled by technological progress, the effective constraint is likely to be the mismatch between traditional skills and the new skills in interfacing between the machine and the users

The growth of demand for adjustment will be formidably fast; the growth of supply of adjustment — through education, multi-skill training, and reduction in working time — may lag a long way behind in all but a handful of the most adaptable and successful companies.

The companies that tend to lead the way are those in which management keeps its employees informed in advance of the options the company faces and involves them in the formulation of corporate plans.

An enviable record of industrial relations at VST has been the stepping stone for dynamic interaction, coupled with participation and involvement of all employees in this transition. An enlightened approach to trade union activities, coupled with the active support and cooperation of the Recognised Union, have significantly contributed towards ushering in the changes which have taken place in process, plant and machinery work methods and computerisation and upgradation of skills at all levels of employees.

Through these enlightened policies and bilateral long-term agreements, a unique relationship has been forged between Management and Workmen, which has been built not only on stability, but also on a fund of goodwill.

To these, VST has added a campaign to enable employees to derive satisfaction, self-improvement and learning through working in an organisation and community where individual aspirations are respected. One of the emerging trends is the process of transition of the work force from "loyal employees with traditional skills" to "committed employees with modern skills".

ENERGY — THE CHIEF CONSTRAINT OF THE 1990s

A major constraint likely to impede corporate growth in the 1990s is the shortage of energy.

According to the report of the Central Electricity Authority on the Seventh Plan review and the Eighth Plan options on power development in the country, the projected capacity addition of 38,000 MW under the Eighth Plan will not be adequate to bridge the gap between supply and demand, and would leave us with a shortage of about 12,700 MW in peak demand and 7,400 Mn units in energy requirement. This shortage would represent an increase from 8% in 1988-89 to 17.4% by 1994-95. Except for the North Eastern region, all other regions would face an energy crunch.

There is, therefore, an imperative need to conserve energy. The efforts of your Company in this regard during the past 12 months, have been highly rewarding — **20% saving in energy having been achieved.** These efforts, needless to say, will have to continue.

MARKETING

The future dictates of product quality both from the domestic and international markets are expected to be very stringent. Having completed its Primary Manufacturing Department modernisation, and with the modernisation of the Secondary Manufacturing Department in progress, your Company is well-positioned to meet these demands.

Your Company has always been sensitive to consumer needs and has employed sophisticated market research technologies to perceive such needs with precision. It is often not appreciated that in respect of consumer goods, research and development to evaluate consumer needs and behaviour is the determining factor for success, and unless evaluated precisely, can render all investment useless. In an Industry with a very high failure rate for new brands, your Company has a very impressive record of achievement with over 30% of its present volume coming from brands launched within the past five years.

Your Company will match the technological advances made in its production process with greater sophistication in the determining of contemporary consumer needs to launch new and exciting brands in the future.

During the year, the distribution network has been strengthened and made more penetrative, with improved trade servicing, with special emphasis on semi-rural and rural sectors of the market. New warehouses have been set up in strategically located towns to improve customer service. The field marketing force has been strengthened.

Members would recall the Chairman's statement last year, wherein he had mentioned that your Company had suggested an excise slab for non-filter cigarettes, less than 60 mm in length, to compete with bidis where the volume is 12 times more than cigarette volume. The Union Budget of 1989 provides a lower excise duty for non-filter cigarettes below 60 mm.

Members will be glad to know that your Company was the first to launch two brands, Vijay Virginia and Vijay Gold Flake in this category and both these brands have been well received by the market.

Your Company's main brands, Charminar and Charms Mini Kings continue to make progress.

CHARMINAR CHALLENGE & SPIRIT OF FREEDOM CONCERTS

It is a matter of pride that your Company has steadily carved for itself a prestigious niche in the promotion of sports and culture. In sports activities, our Charminar Challenge flag continues to fly high and retains the unique privilege of being the most sought-after prefix in the world of Indian sport. On the cultural front, your Company's commitment to promote that which is worthy of preservation and sharing reached new heights with the Spirit of Freedom Concerts. The concerts have achieved an unprecedented measure of success. The Charminar Challenge and the Spirit of Freedom Concerts are thus becoming symbols of a deep-rooted commitment to support worthwhile activities.

LOOKING AHEAD

As already mentioned, bidis outsell cigarettes by a factor of 12:1, with bidi smokers forming the real smoking bank in our country. With economic prosperity, it is realistic to assume that more and more bidi smokers will migrate to cigarette smoking and with the spread of urbanisation and consumerism, I have every confidence that the cigarette market will continue to expand, providing a profitable base to your Company for many years to come.

During the past year, it is estimated that the Cigarette Industry has contributed over Rs. 1500 crore to excise revenue. It is essential that realistic and stable excise policies, evident over the past two years, are continued, ensuring the growth of the Industry and that of the Revenue.

I have, therefore, no doubt that the Cigarette Industry and your Company can look forward to substantial growth.

With the modernisation programme getting completed over the next 2 years, your Company would have recharged itself technologically, producing products of high quality, improving profits and occupying a prestigious place in the market.

Integrating its corporate objectives with national needs and deriving strength from its special knowledge of agriculture and a strong bond with thousands of farmers, your Company has started investigating opportunities for diversification in the newly emerging area of agri-businesses.

The geographical diversity of our large country offers excellent opportunities in this field to service both the domestic and international consumer. Entry into such business could provide your Company a vehicle for earning additional foreign exchange and partaking in meeting national objectives.

As mentioned earlier, trading results for the first 2 months of the current year reflect a healthy improvement in performance. The market for your Company's products is improving and with the all-round thrust being provided by the management better results are expected. I therefore believe that you can look forward to the future of your Company with confidence.

Before I conclude, I have a personal note to add.

I was elected Chairman of your Board in April 1988. Soon after the conclusion of this AGM, I will be stepping down from the Board. During this period the Company has made progress. There is a new vigour, a new confidence and a new commitment. Credit for this goes to the young management team at the helm of affairs of your Company and to the employees who are participating actively to take it forward. I am sure the momentum will gather further strength and VST will reach the pinnacles of glory it is destined to. May I now thank all of you, my colleagues on the Board and the management and employees of VST and wish you good luck and a safe and exciting journey into the future.

Note: This does not purport to be a report of the proceedings of the Annual General Meeting.

VST Industries Limited
Regd. Office: Azamabad, Hyderabad 500 020.

Enterprise/VST/1144 R

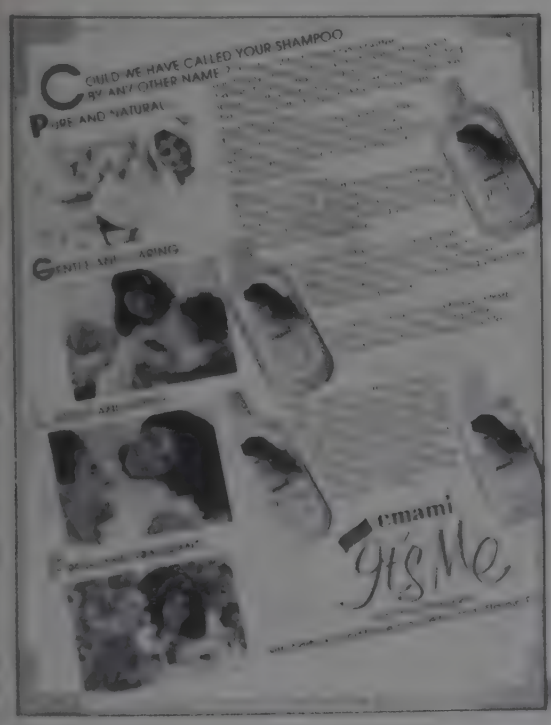
IT'S ME-SSY

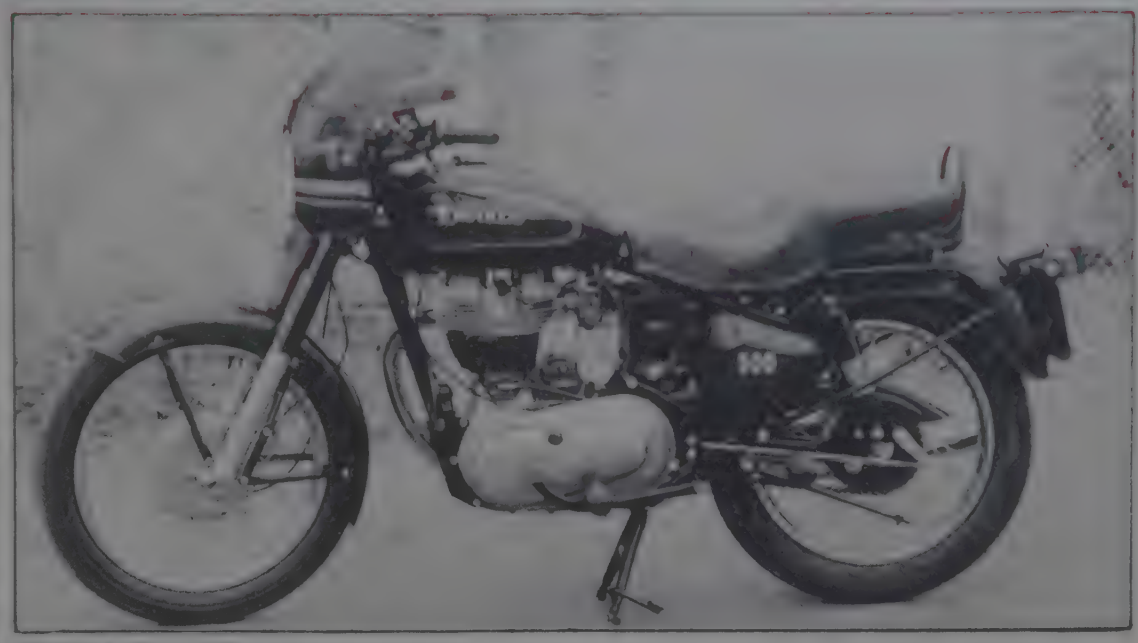
There was an age when press ads were filled with copy — headings, sub-headings, copy, baseline, fineprint, etc. The trend changed as visuals became more effective, more appealing. The new ad for Emami shampoo is retrogressive in this respect. The visuals are non-specific, as faces and poses dominate. The target audience is undetermined. The copy is specific about "the woman in you" but the visuals confuse.

The crowning error, though, is in product promise. Modern marketing theories assert that positioning necessitates sacrifice. In order to allow the primary benefit to stand out, subsidiary benefits must be suppressed. Emami is unwilling to let a single benefit go unproclaimed. The cluttered copy lists everything — promises, reasons why and target audiences' psychographic profiles.

The targeted consumers are gentle, caring, lively and natural. The reasons why are based on product ingredients — *amloki, benamul, chamomile, aloe vera, mehendi*, herbal conditioners, vitamin E, proteins, vitalisers and a perfume (French, no less). Therefore the promises are of touch of silk, soft hair, lustrous hair, tangle-free hair, body and bounce, healthy and glowing, breezy summer flower fragrance.

With every possible aspect taken into the inventory, the brandname — It's Me — seems inadequate. "It's all of us," might be more apt. Unfortunately for the company, all of us are unlikely to be seduced by the clutter of promises.





ENFIELD'S 500 CC BIKE

FIELDING A NEW ENFIELD

From a timid Mofa at 22 cc to the brute power of a 500 cc bike, Enfield's seen 'em all. The latest from the Enfield stable is a real bruiser. At 500 cc, with an engine output of 22 hp, it will be jostling for the top end of the market.

Having run into a roadblock with its 163 cc Fury has not deterred stodgy Enfield, but it is being a lot more wary now. There has been no glitzy product launch for the Enfield 500 cc, only cautious test marketing. Once this feedback is chewed, digested and mulled over, the bike should be on the roads in a couple of months.

The bike, to be marketed in two colours, silver grey and green, promises to be a real fuel guzzler — 26 km a litre in actual road conditions. But at 168 kg and with a top speed of 130 kmph, it could prove to be a real workhorse. The price, at around Rs 27,000, could prove a hurdle. But, then, if you want to move into the fast lane, you should be ready to pay for it.

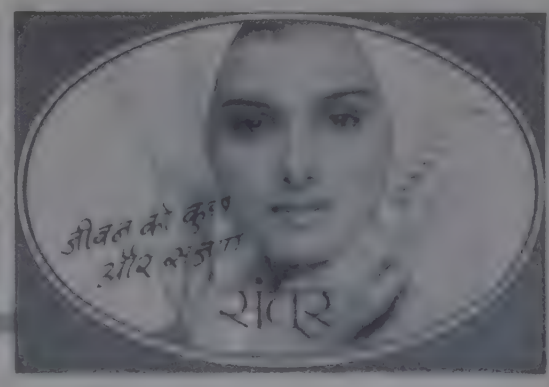
TRY AGAIN WITH TURMERIC

After the unfortunate mishap with Bubbles, Wipro's performance in the soap market has been far from satisfactory. Last year's trilogy was Ralak, Santoor and Jasmine. This year, the tune hasn't changed. Ralak was briefly advertised on TV but the effort did little to step up stock movement.

But there are changes afoot. Santoor is currently being given a facelift. There has always been a select market for sandalwood soaps. With the supply of the original Mysore Sandal soap erratic, and the Pond's brand at the very top end, Santoor — at an affordable price — should have swept the market. Performance, however, has not matched expectations. Thus Santoor has come back with reinforcements — Sandalwood supported with turmeric.

The ads for Vicco Turmeric cream have gone a long way towards popularising the sandalwood-turmeric combination for cosmetic use. Wipro is seeking to cash in on Vicco's advertising. What is lacking, though, is the fervent pressure common to all soap advertising. Merchandising at point-of-purchase has never been adequate to lift a brand out of the clutter. And Wipro's pint-sized posters, though fresh and appealing, are likely to be submerged.

The retail incentives pegged to the brand are no more than those offered by others. The only saving grace is its price — still lower than the market norm for premium soaps. Sandalwood, it seems, doesn't sell on its own. But will turmeric do the trick?



AN RPG-SULZER JOINT VENTURE

SULZER
is more than the
SULZER
you have always known

The SULZER world goes much beyond the LOOMS

Being the finest manufacturer of Looms in the world is only a part of the story, as SULZER's technological achievements go far beyond. More than 75% of SULZER's global turnover in over 70 countries is from other HI-TECH engineering products.

Today, SULZER's stamp of superiority is evident in every conceivable sector be it energy engineering, chemical and petrochemical industry, petroleum and natural gas industry, traction engineering, mining and steel industry, marine industry and many other areas.

SULZER's Swiss heritage, craftsmanship and performance of 150 years is now brought to India by RPG Enterprises. Sulzer India Limited, an RPG-Sulzer joint venture, has commenced its manufacturing operation at its plant near Pune. It will introduce in the Indian market a wide range of HI-TECH engineering products such as High Pressure Gas Compressors, Centrifuges, Structured Packings, etc. conforming to SULZER's international standard.

Sulzer India also represents SULZER for its wide range of other sophisticated equipment and turnkey project engineering.

Yes, SULZER's total commitment is now in India.

ISSUE HIGHLIGHTS

- **Promoted by Austrind Consultant Company Limited (a member of RPG Enterprises Ltd.) and Sulzer Brothers Limited, Switzerland.**
- **40% Equity participation each by RPG Enterprises and Sulzer Brothers Limited.**
- **Technical Collaboration with SULZER – an international leader in Hi-Tech engineering products with presence in over 70 countries.**
- **Manufacturing range includes not only import substitutes but also add-ons to existing SULZER installations in India.**
- **Steady income form ongoing business of Sales Representation in India for a wide range of SULZER products.**
- **Low gestation period.**
- **Listing on Bombay Stock Exchange.**

Managers to the Issue

DSP Financial Consultants Ltd.
914, Raheja Chambers
213, Backbay Reclamation,
Bombay 400 021.

SULZER INDIA LIMITED

Regd. Office: 2nd Floor, Ceat Mahal, 463, Dr. Annie Besant Road, Bombay 400 025.
Head Office: 3rd Floor, Neeta Towers, Bombay – Pune Road, Dapodi, Pune 411 012.

Technology that holds your future

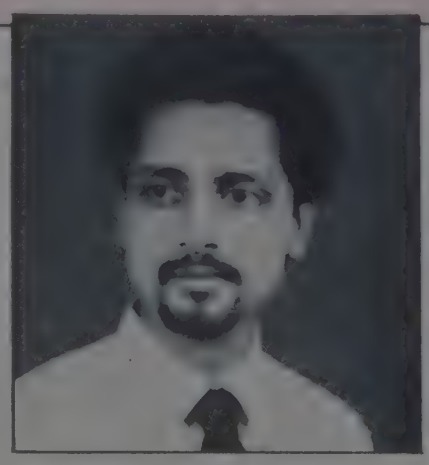
EQUITY ISSUE OPENS ON 10TH JULY, 1989.

Concept

WHY MR IS INEFFECTIVE

Market research (MR) is coming into its own. But clients are still a long way off from making effective use of MR

Market research (MR) in India is slowly emerging from the shadows, having grown to a Rs 15 crore industry by now. Although such spending is by no means commensurate with the growth of industry in general, research agencies are cock-a-hoop about the future. Even among users, there is a growing confidence in research findings and a greater realisation of the value that research adds to marketing and business decision-making.



But MR is still to be effectively used. About 70% of research projects (in terms of value) in India are commissioned *ad hoc* while the rest is accounted for by syndicated studies. Some clients prefer to work with the same agency over a period of time, but industry as a whole does not believe in client-agency marriages.

Except for a handful of companies which are sufficiently oriented to the 'research culture,' most organisations still seem to follow an unplanned approach to research. Typically, an eager beaver in the client organisation says 'let's research this,' and by virtue of either his position within the organisation or his powers of persuasion, an MR decision is taken. Or often, a serious difference of opinion arises among key decision-makers on a marketing issue, and MR is called upon to resolve the stalemate. Thus, research is often rightly used for the wrong reason.

The biggest problem, however, is the lack of a long-term approach to MR. In marketing brands, for example, the MR effort often does not cover all stages. The resultant gaps in research lead to gaps in understanding. Thus, when one tries to find out why a brand has succeeded or failed, it becomes difficult to isolate the factors responsible. In the case of failure or poor performance, the blame is then laid at the research agency's door.

For a new food product launched nationwide, the research plan should be a comprehensive one covering each step of the marketing process. On the other hand, for a me-too brand of detergent bar, a limited plan of positioning and advertising research may be sufficient.

The introduction of a new type of two-wheeler would, however, call for a more rigorous product acceptance study. This would also have to be followed up by positioning and advertising research, as the market is highly competitive. Thus, there is no golden rule that applies to all products. Each decision depends on the product category, the competitive scenario and the target segment.

All this may sound simple and elementary. However, in practice, such a long-term approach to research is woefully lacking. Given the *ad hoc* nature of research assignments, both client and research agency tend to view things myopically. The stress seems to be more on what happens at the end of one project, rather than on how these findings help the brand's long-term growth.

Since research agencies are often evaluated on the basis of whether the presentation was good or not, they are rarely interested in sticking their necks out and finding out in what way the client has used their findings. Clients also seem very hesitant, if not unwilling, to share freely the ramifications of marketing issues. The attitude seems to be that research agencies should keep off, once the *ad hoc* research is over and done with.

Another symptom of an unplanned approach to research is sub-optimal research design. Often, a client says "Let us go to Delhi; last time, we did the research in Bombay," without objectively considering the merits and demerits of going to one centre or the other. In some cases, it may be more meaningful to repeat the research at the same centre regularly in order to study changing attitudes, brand preferences or purchase behaviour. One result of sporadic research is that the elements of the study also tend to be handled *ad hoc*, which leads to a poor build-up of research material over time. Thus, if a client wants to take stock of the history of a given brand after five years of sporadic research, there may hardly be any coherent basis for weaving together the findings that stem from a number of studies.

Sometimes, the research design and sample are tailored to fit budget limitations rather than the real research needs of the client. To be fair to the research manager, however, one must admit that he does not often have a free hand. Decisions about how much money to allocate to each brand are constrained by the need to divide resources equally across many brands. This 'equitable' approach, while keeping the individual brand managers happy, may not necessarily be the most optimal way of utilising research funds.

More thinking, planning and effort on the part of research managers and agencies would go a long way towards achieving synergies in terms of time, effort and quality. Frequently, there is scope for tying up two or three research projects together. For instance, if one were to carry out an advertising effectiveness evaluation study for one brand of tea, considering that the questionnaire design as well as many of the questions are likely to be common, it would pay to widen the scope to include a study on the other brands as well, at a marginal additional cost. This becomes more significant when target segments have a considerable degree of overlap.

In sum, there is considerable scope for rethinking and improving the way MR is planned and handled. There should be more interaction and a spirit of trust should be nurtured between researchers and the users of research. Everybody has a lot to gain from this.

■ *Baskar S. Ayer*

The author is associate project director, IMRB, Bangalore.

IN DEFENCE OF ACADEMIA

The curriculum of Indian business schools has for long been criticised by representatives of industry. Among the common complaints: our course contents are too theoretical and far removed from the hard realities of Indian business; the case studies are too western and hence out of context; besides, they are too antiquated. To top it all, Indian business schools are widely believed to turn out more snobs with more chips on their shoulders than any other.

These views have been aired by almost anyone who can afford a blue suit — at convocation addresses, in articles in the press, at executive development programmes or even on the campuses themselves. The sheer monotony of this pitch should threaten to make Indian Airlines' piped music a welcome diversion.

Perhaps the right way to rebut such criticism would be by quoting facts and figures. But this writer feels all such arguments are too defensive and attack is the best form of defence.

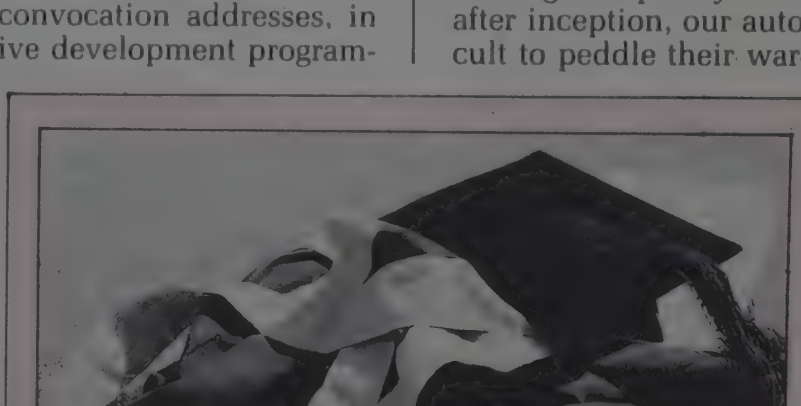
So, the curriculum is mostly western, theoretical and antiquated, is it? Fine. But does Indian industry pitch in with help when one tries to research or develop cases on Indian companies? When questionnaires seeking details about the operations of different companies are sent out, how many are returned duly filled? In this writer's area of interest (finance and accounting), empirical research and cases are hard to come by. Why? Because Indian industry is paranoid about sharing — even with academics — any information in general and financial information in particular. Prudence in sharing information is understandable, paranoia is not.

Of course, when it is not paranoia, it's sheer indifference. It's not that when it comes to case writing or research, academics are shown the door (often, one doesn't even get to enter it in the first place). And on such rare occasions, when one is lucky enough to be promised access to any information at all, one is treated like a particularly painful variety of toothache. One chief executive who opened the door for this writer on a consulting visit, politely passed him down the line. The writer finally ended up before a bored clerk who appeared to have every bit of information under the sun barring what was needed.

One is not complaining about not having a red carpet welcome from the airport terminal down to the corporate head office. But, surely, there is the need for more enthusiastic cooperation and a little understanding of the fact that in due course there would be something in it f them too if business graduates were fed on a richer di The construction of the bridge between academics a industry has to start from both ends simultaneously.

Again, talking of the lack of indigenous research a case writing in Indian business academia, what's t track record of the Indian corporate world on the R & front for that matter? How much of the currently oper tive technology in the country, in concept or commi sioning, has purely Indian roots? Why is it that 40 yea after inception, our auto manufacturers still find it diff cult to peddle their wares without a Japanese collabor tion?

And as for the criticis that the course material too theoretical, the less sai the better. So what is one ex pected to teach students re garding the realities of Indi an business practices? Tha they should not care a fig ab out consumers' interests? O that they should operat with at least six month worth of inventory since th costs are in any case borne by consumers? Or, shoul one teach them to commi the same bit of inventory t five different parties at the same time because one nev er knows which orders may get cancelled? And that if, in the process, four parties are grossly compromised, it's their funeral? Or should one teach them how to manipulate accounts to the hilt so that the profits shown are good enough for distributing dividends but not for paying taxes?



Indian business schools are often criticised for being too western, theoretical and antiquated in orientation. But isn't industry, too, responsible for this state of affairs?

A word about the value systems business schools are supposed to instil in students. A quick look at the student profile reveals that a lot of them come from family backgrounds similar to those of their detractors. These kids were first dandled on their parents' knees for about five years, routed through exclusive schools for 11-12 years, grilled for another three to four years in prime degree or engineering colleges, and probably even seasoned in industry for a while before being finally whisked through business schools in less than two years which are supposed to have moulded their entire value system! Well, if that's true, Indian business schools must be great institutions indeed since they must have moulded personality or character in just two years.

■ *V. Raghunathan*

The author is the chairman of the finance & accounting area of the Indian Institute of Management, Ahmedabad.

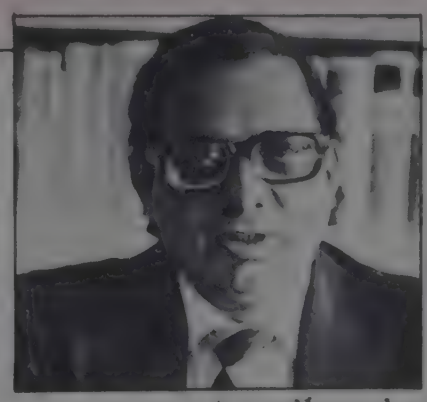
TAXING TRUSTS

A recent judgement of the Madras high court throws light on exemptions available to public charitable trusts under s. 11(5) of the Income Tax Act

Public charitable trusts are entitled to tax exemption under s. 11 of the Income Tax Act, 1961. However, the exemption is subject to various conditions and the breach of any one of them may make the trust liable to tax.

One such condition is that the funds of the trust should be invested only in the modes of investment provided under s. 11(5) of the Act. Sometimes, this condition turns out to be quite onerous, as donors to charitable trusts may insist on donating assets that are not prescribed under s. 11(5).

This point recently came up before the Madras high court in *Auditor Dasaradha Rami Reddy Charities v. CIT* (177 *ITR* 249). On 31 December, 1985, a society entitled to exemptions under s. 11 received donations in the shape of six promissory notes from a partnership firm, Sree Shyam Sayes Corporation. The promissory notes had been executed by various parties in favour of the donor firm and these had been endorsed in favour of the society.



Since the society was a charitable one holding a certificate under s. 80-G of the Act, under s. 197 of the Act a certificate was also issued to the effect that the interest payable on the promissory notes donated to the society could be paid without the deduction of tax.

After receiving the donations, the society wrote to the issuers requesting them to pay the amounts covered by their notes. However, the latter claimed that they were unable to pay the amounts. On the other hand, the promisors (i.e. the note issuers) offered to pay back the total amounts if the entire interest paid was returned. After weighing the pros and cons, the society decided not to return the interest and waited for debts to be redeemed in due course. When these funds were finally realised, they were invested in securities approved under s. 11(5) of the Act.

Since the certificate of exemption initially granted to the society under s. 80-G of the Act was about to expire on 30 September, 1987, on 28 July, 1987, it applied for a renewal. But this application was rejected through a communication dated 27 November, 1987, as per the provisions of s. 13(1)(d).

The Madras high court held that though the 27 November order did not make it clear as to the sub-clause of s. 13(1)(d) of the Act under which the society had been denied the benefit of exemption under s. 80-G of the Act, it was common ground that such refusals could be made under s. 13(1)(d)(i) and not under sub-clauses (ii) or (iii).

It was not in dispute that the society came into being only on 10 December, 1985. The question, therefore, of investment of the trust funds before 1 March, 1983, in securities other than those approved under s. 11(5) of the Act or of their continuing to remain so invested after 10 November, 1983, would not arise. This would render inapplicable s. 13(1)(d)(ii) of the Act. Likewise, the society did not hold, after 30 November, 1983, any share in any company, and this took the case out of the ambit of s.13(1)(d)(iii) of the Act, the court observed.

The construction to be put upon the expression "funds" and the phrase "invested or deposited", occurring in s. 13(1)(d)(i) of the Act, has to be determined in the context of the section, which seeks to deny tax exemption for income earned on funds invested or deposited after 28 February, 1983, in a mode not specified under s. 11(5) of the Act.

In this case, the society received by way of donation several promissory notes and, under s. 4 of the Negotiable Instruments Act, a promissory note is an instrument in writing (not being a bank note or a currency note), containing an unconditional undertaking, signed by the promisor to pay a certain sum of money only to, or to the order of, a certain person, or to the bearer of the instrument.

Implicit in this definition is the exclusion of cash or money, as normally understood, with reference to the donations received by the society. The expression "funds" normally and ordinarily means cash on hand or in the bank. A promissory note cannot be equated to funds; at best it can only be an actionable claim. The court felt that it is extremely difficult to conceive of an investment of an actionable claim.

The society received the promissory notes donated to it and kept them intact. There was no investment of the funds since the notes received by way of donation had been retained in specie. Therefore, it could not be denied tax exemption on the plea that the asset donated to it had been "invested" in modes other than those specified under s. 11(5).

The court, on the facts of the case, ruled that the society merely received the promissory notes donated to it and did not lay out its funds on any investment or lend its money to debtors by any positive or definite act on its part for the purpose of earning income. Therefore, it concluded, the refusal to renew the petitioner's exemption under s. 80-G of the Act could not be sustained.

This decision is correct in law and should certainly bring some relief to charitable trusts. However, it is likely that the tax department may go in appeal to the Supreme Court. To avoid further litigation the government should accept this decision and issue a circular on the basis of the judgment of the Madras High Court.

■ *H.P. Ranina*
The author is a Bombay-based advocate

India factors ltd.

Regd. Office: P.O. Box 2230 Dhun Building, 3rd Floor, 827 Anna Salai, Madras-600 002.
CABLE: PLUSFACTOR ☎ 832 420 Telex: 041-7392

INDIA'S FIRST FACTORING COMPANY

INVITES DEPOSITS

SCHEME A — FIXED DEPOSIT SCHEME

Period	Interest Rate
25 months to 36 months	**14%**

SCHEME B — CASH CERTIFICATE SCHEME

Periods	Issue Price (Rs.)	Maturity Value (Rs.)
25 months	**749/-**	**1000/-**
36 months	**658/-**	**1000/-**

Minimum amount of Deposit Rs. 3,000

SCHEME C — CUMULATIVE DEPOSIT SCHEME

Periods	Minimum Deposit (Rs.)	Maturity Value (Rs.)	Annual Interest %
25 months	**1000/-**	**1336/-**	**16.13%**
36 months	**1000/-**	**1520/-**	**17.33%**

Minimum amount of Deposit Rs. 1,000

HIGHLIGHTS

• Interest payable at par • Single deposits of Rs 6,000 and above will be eligible to interest monthly • Post dated interest warrants for one financial year are sent in advance • Outstation cheques accepted at par • No tax will be deducted at source on interest payments of Rs 2,500 or less for the financial year. On interest exceeding Rs.2,500 no tax deduction at source if prescribed form 15-A/15 H is submitted. • Outstation repayments by Demand Draft • Reimbursement of draft charges.

Particulars as per the non-Banking financial and Miscellaneous Non-Banking (Advertisement) Rules, 1977.

(a) Name of the Company : INDIA FACTORS LIMITED
(b) Date of Incorporation : 20th July 1984
(c) Business carried on by the company and its subsidiaries with details of branches or units if any. : Equipment Leasing, Hire Purchase Financing along with other permitted activities provided in the Company's Memorandum and Articles of Association. The company has its Registered Office at Madras with a branch office a Bangalore
(d) Brief particulars of Management : The company is managed by the President under the overall supervision and control of the Board of Directors.

(e) Name	Address	Occupation of the Directors
Sri. V. Srinivasan Chairman	Vice Chairman & Managing Director W.S. Industries (India) Ltd. Porur, MADRAS-600 116	Industrialist
Sri. M.S. Venkataraman Vice Chairman	Director W.S. Industries (India) Ltd. Porur, MADRAS-600 116	Industrialist
Air Marshal S.J. Dastur	Director W.S. Industries (India) Ltd. Porur, MADRAS-600 116	Retired Air Marshal
Sri. G. Balasubramanyan	No. 4, Venkatesa Agraharam, Mylapore, MADRAS-600 004	Chartered Accountant
Sri. Suresh N. Shetty	26, First Main Road, Tata Silk Farm, Basavanagudi, BANGALORE-560 004.	Industrialist
Sri. V. Ashok Kumar President	Parsn Menere, 'C' Wing, Gemini Complex, Mount Road, MADRAS-600 006.	Business Executive

(f) Profits of the company and Dividend declared

Year ended	Profit before tax (Rs)	Profit after tax (Rs)	Dividend Paid (%)
31.3.1986	43,944.00	38,329.00	Nil
31.3.1987	5,39,395.00	5,39,395.00	8
30.6.1988	**11,29,541.00**	**9,51,541.00**	**12**

(g) Summarised financial position of the company appearing in the two latest audited Balance Sheets.

Liabilities	As at 30.6.88	As at 31.3.87	Assets	As at 30.6.88	As at 31.3.
	(Rs. in Lacs)			(Rs. in Lacs)	
Share Capital	49.60	24.80	Fixed Assets	52.75	16.
Reserves & Surplus	8.13	3.98	Investments	9.26	—
Loan funds	32.61	—	Current Assets	12.77	8.
Current Liabilities	17.50	10.60	Loan & Advances	32.87	14.
			Miscellaneous Expenditure	0.19	0.
	107.84	39.38		107.84	39.

Contingent Liability : Nil

(h) The company can raise by way of deposits under RBI's directions Rs.575.40 Lacs (Rupees five hundred and seventy five Lacs and forty thousand only) and the aggregate of fixed deposit actually held on 30 6 1988 is Rs 17 61 Lacs
(i) The Company held no overdue deposits / unclaimed deposits
(j) The Company hereby declares that:
i) The Company has complied with the provisions of the directions applicable to it.
ii) The compliance with the direction does not imply that the repayment of deposits is guaranteed by the Reserve Bank of India.
iii) The deposits accepted by the Company are unsecured and rank paripassu with other unsecured liabilities.

This advertisements is issued under the authority and in the name of the Board of Directors of the Company, who approved the text of this advertisement by their resolution dated 5th April, 1989. A copy of the text of the advertisement signed by the majority of Directors has been delivered to the Department of Financial Companies, Reserve Bank of India, Bangalore

Place: Madras
Date : 5th April, 1989

By Order of the Boa
for INDIA FACTORS LIMITE
K. S. RAMASUBRAMANIA
Company Secreta

A YEN FOR SUCCESS

About 30 years ago, futurologist Herman Kahn prophesised that Japan would emerge as a superstate and the prime economic power of the seventies. Time and the Japanese proved him right.

Ten years ago, economists and management pundits predicted that the Japanese miracle was drawing to a close and that the island economy would run out of steam in the mid-eighties. This forecast was based on the premises that:

- Like all progressive economies, Japan had become a high-cost manufacturing area. The inexorable upward creep of wages as its employees grew older would price its products out of world markets.
- Japan's manufacturing capacity was heavily geared for export. Over 60% of production went abroad. As its goods became costlier, and protectionism increased, the flow would dry up.
- Japan's product-spread was vulnerable. Four commodities — steel, semiconductors, automobiles and consumer electronics — accounted for 80% of its export revenues. (In contrast, West Germany has 18 major items in its export basket, the largest accounting for only 12% of the total.)
- Japan relies totally on imported oil for its energy. With oil prices topping $39 a barrel and 55% of Japan's production being energy-based, there was no way the operation could remain viable.
- The tiny titans of the east — Taiwan, South Korea, Hongkong and Singapore — were slicing up large chunks of the Japanese export cake by exploiting their lower wage structures.
- Japan's record of inflation-control was unimpressive with the annual inflation rate averaging 8%. This was applying further pressure on costs.
- The country had built up surplus production capacity in several sectors. If the export graph flattened, a terminal recession would follow. Domestic demand could never take up the slack. In automobiles, for instance, the industry had an installed capacity of 12 million vehicles, though domestic sales had never passed 3 million.
- Worst of all, the Japanese export miracle was founded on currency rate manipulation. Japan had carefully kept its yen undervalued at 240 to the dollar; its central bank supported the greenback more assidously than the US Federal Reserve. Experience had shown that when the yen appreciated to 200 or less to the dollar, Japanese exports fell off. Industry-watchers recalled that US port parking lots were jammed with unsold Toyotas and Datsuns in 1978; the yen was ruling at 190 and the US buyer had switched to the now-cheaper Chevy Novas and Ford Pintos. And the yen would inexorably appreciate as the country's trade surplus and foreign reserves boomed.



The first Japanese miracle was a relatively straightforward affair, accomplished by the old-fashioned virtues of diligence and austerity. The second was a vastly more complex exercise, but it has worked

In short, reasoned the experts, Japan was poised on the slippery slide to recession — with its shoes waxed. Exports would become uncompetitive and shrivel; the economy would dive into a recessionary spiral; mass unemployment and factory closures would follow. The country could live off its income from its foreign investments awhile, but would have to endure painful restructuring. It seemed a sure bet that Japan's economic supremacy would go the way of the dodo and the hula hoop.

Ten years later, the premises are still operative. Japan remains a high-cost economy. Its production is export-oriented. The four small dragons continue to breathe fire. The Japanese inflation rate runs at 7%, or twice West Germany's. Protectionist voices, muted and strident, are raised against the cataract of Japanese exports. And, horror of horrors, the yen-dollar rate ranges between 130 and 135, making Japanese goods 40% costlier than in 1985.

The doom and gloom theory thus seems perfectly plausible. Except that the facts have blasted it out of the water.

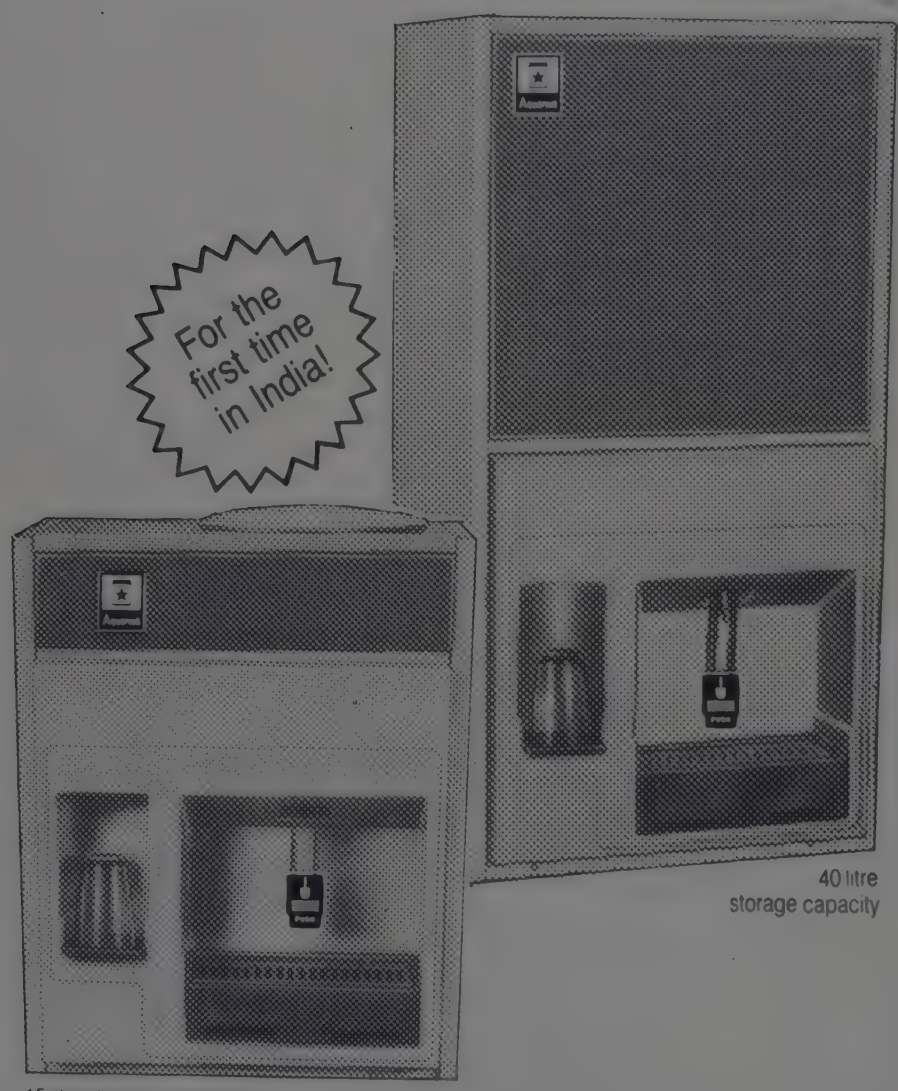
In 1989, Japan continues to walk tall. Its exports last year are reported at $220 billion, making it the world's second largest exporter of manufactured goods, with 13% of global exports, just a shade behind West Germany. Its trade surplus was a whopping $80 billion, despite an 18% increase in imports. Its gross overseas investments exceed $1.02 trillion and, with net assets of $250 billion, it is the world's No.1 creditor nation. Five of its banks figure in the list of the world's top 10. Japan's per capita GNP of $19,600 is $1,200 higher than that of the US. The economy grew by 5.5%, well above the projected level of 3.7% and over twice the 2.6% in 1986. The US remains Japan's biggest market, absorbing 37% of its exports. And, amazingly, all this was achieved with the yen-dollar rate ruling at 140.

This counts as a truly awesome performance and should, in all fairness, be rated as the Second Japanese Miracle. The first was a relatively straightforward affair, accomplished by the old-fashioned virtues of diligence and austerity. The second was a vastly more complex exercise.

It is unnecessary to elaborate on the traditional Japanese strengths. They are: a devout work ethic and a fanatically motivated workforce; higher labour productivity; decision-making by consensus and a participative management ethos; an emphasis on technical education; an egalitarian salary structure; and a readiness to place national welfare and corporate prosperity above self-aggrandisement.

This super-society has its dark side too: adversarial trading policies; highly developed skills in conceptual

Pin up



15 litre storage capacity

40 litre storage capacity

New! Aquarius Wall-mounted Water Coolers

In showrooms, offices or factories

Wall-mounted or table-top convenience

Connect directly to water supply or fill manually

Single-handed operation

15 litre & 40 litre capacities

Provide upto 150 and 275 glasses of cold water in an hour, respectively

Light-weight & elegant

Just a few reasons to pin you down. To our new pin-ups.

BLUE STAR
Aquarius
WATER COOLERS

FSA/BSL/W10-R

BLUE STAR
The only guarantee you'll ever need

For more information, please contact Blue Star Limited, Appliances Division: Bombay, New Delhi, Calcutta, Madras, Ahmedabad, Vadodara, Pune, Nagpur, Bhopal, Chandigarh, Kanpur, Jaipur, Lucknow, Jamshedpur, Guwahati, Bhubaneshwar, Patna, Bangalore, Secunderabad, Cochin, Visakhapatnam, Vijayawada.

larceny and in exploiting the innovations of others; violation of the free trade principle by craftily disguising protectionism under the non-tariff barriers of regulation and certification; and a lack of generosity in dealing with economically weaker nations.

These are the factors which fuelled the first leap forward. The Second Coming was a triumph of meticulous long-term strategic planning, by which the coming crisis was anticipated, prepared for, and overcome.

Planning began in 1979 when panic buttons were pushed during the dollar's first decline and the second oil-price shock. Between then and 1989, the problems of a high-cost export-oriented economy and an appreciating currency were addressed and resolved.

There were various strategies adopted: one of these was transferring production offshore.

The standard procedure to reduce manufacturing costs is to relocate production facilities in low-wage countries. Japan accordingly transferred manufacturing operations to Taiwan, South Korea, Hongkong and Singapore. This is far from being an infallible ploy, as the failure of many western producers, notably Rolleiflex in Singapore, has proved.

The minor hazards are untrained and unskilled labour, inadequate infrastructure, quality decline, logistical problems and increased freight costs. Besides, low-wage countries do not remain low-wage forever, as disenchanted host governments resent being used as sweat-shop factories. The major peril is that the pupil may surpass the master as labour and management ride the learning curve. This duly happened; Taiwan and South Korea soon undercut Japan in steel, shipbuilding, textiles, small cars and low-priced consumer electronics. However, Japan had strategies in reserve.

The country also went ahead with establishing plants in prime markets. This is not, of course, a cost-reduction exercise (as the target market is itself a high-cost region) but a device to slide in under tariff barriers. The EEC and the US accept manufactured goods with a fixed minimum percentage of local content (generally 40% to 60%) as domestic products. Thus did Nissan set up truck manufacturing plants in the US and a car assembly plant in the UK. Joint ventures were launched in the US by Toyota-GM and in Italy by Nissan with Alfa-Romeo.

Capital outflows from Japan rocketed from $17 billion in 1983 to $158 billion in 1987. Overseas production, which accounted for only 4% of Japanese manufacture in 1985, climbed in 1988 to 12% for automobiles and office equipment, and 25% for consumer electronics.

As a measure of staying competitive, margins had to be cut to retain market share in the face of a steadily appreciating currency. The Japanese consumer subsidised exports generously, if reluctantly, by paying higher domestic prices. In other areas, e.g. large construction contracts, margins were protected by distributing the tender work among participating firms on a cartelised basis. Japanese industry enjoys an advantage in that large conglomerates are vertically integrated. Mitsubishi, for instance, handles in-house all stages from importing iron ore to converting it into an automobile. This damps the cascading effects of multi-layered profit mark-ups and keeps the price competitive. The trick is to yield just enough margin to preserve market share, no more. Japanese costing methods were so precise that the profitability of exports fell by only 5% between 1985 and 1988, and the pre-tax profits of leading manufacturers were up by an average 31% in 1988.

A vital Japanese resource is its loyal satellite supplier network which perceives its survival as dependent on the prosperity of its major customers. Thus, above-the-board price cuts imposed by the big buyers are more readily accepted than in the US or the EEC.

Cutting costs had another angle — increasing robotisation. Though robots require a large initial capital outlay, they slash manufacturing overheads, especially in mature industries, by replacing highly-paid workers. Robots are recession-resistant as they can be switched from one to three shifts and back again, depending on demand, with no lay-off penalties. They result in economy by consistent quality, reducing rejections and thus eliminate the need for inventory.

The result of robotisation and flexible manufacturing processes was a dramatic reduction in production costs. For instance, though wage-levels in the two countries are approaching parity, a Japanese car costs only two-thirds as much to make as the average US automobile.

Japanese manufacturers also wisely vacated the low-priced end of the market to the South Korean and Taiwanese producers, while they moved steadily upmarket. Toyota does not compete with Hyundai for the entry-priced motor-car any more. Sony's current home-entertainment systems lie in the mid-price range. Seiko and Citizen have progressed to 'dress' and styled watches, abandoning the low-priced segment to Casio and Swatch. This upmarket migration became possible due to the reputation for quality which Japanese products now command.

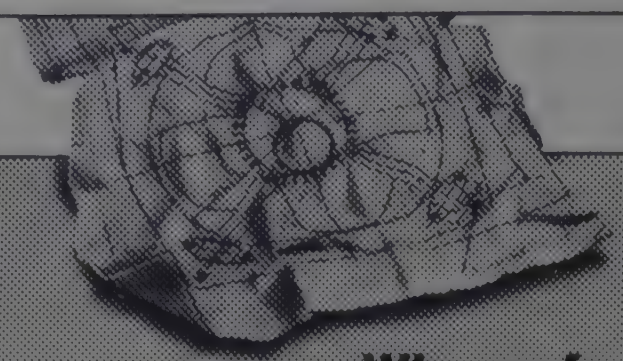
Japan has moved out of the *endaka* (higher yen) era looking leaner and fitter than ever

In addition to these aggressive moves, there were defence strategies too. It was realised that, at some point, protectionist policies in the US and the EEC would slow export growth. In preparation for this, a massive domestic reflationary package was announced in 1987. Over $42 billion was provided to promote the home economy: tax cuts and lower interest rates were extended to stimulate consumer spending; public works were launched; import controls were relaxed; and defence spending and foreign aid flows were increased. This is expected to lift the domestic economy out of the recession which began in 1986.

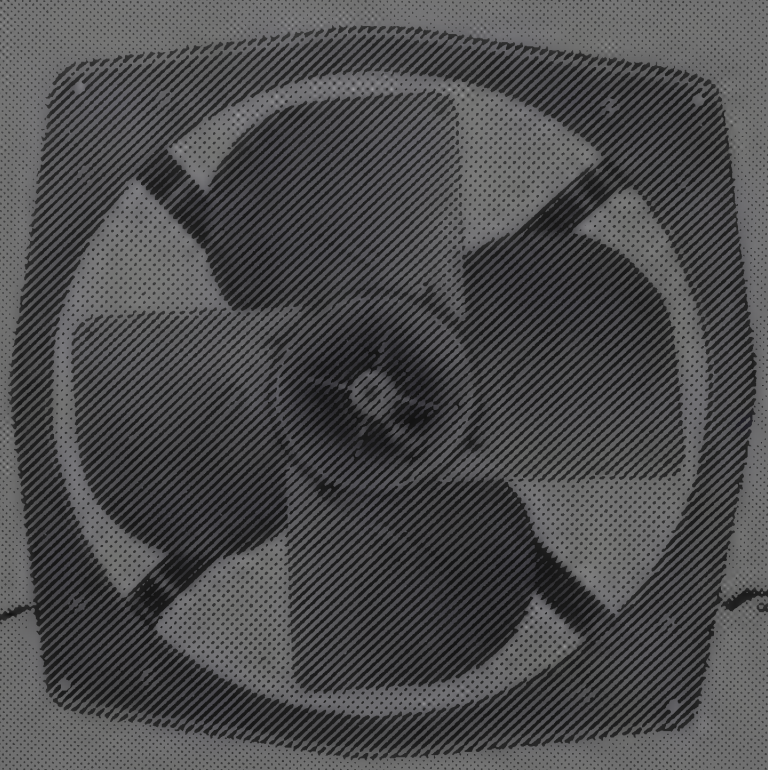
Japan has moved out of the *endaka* (higher yen) era, leaner and fitter than ever. It enters the nineties with its reputation for 'walking on water' intact. It has expanded its export targets to cover China, India and other less affluent countries it had earlier ignored. With its formidable technological expertise and management skills, it seems set to prove that Herman Kahn's prediction will remain valid in the 21st century too.

■ *S.V. Kumar*

The author is a former general manager of SBI and freelance writer

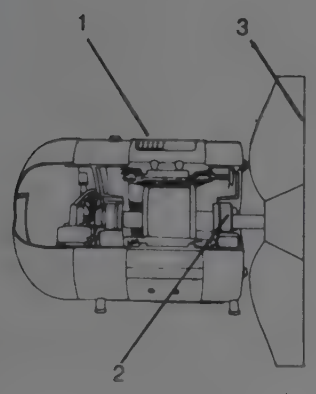


Why go for a copy...



when you can buy the original

Contact GEC today, for your industrial ventilation needs.



Why buy just any exhaust fan, when there's GEC! The resemblance of other exhaust fans to GEC, is purely superficial. For, only GEC undertakes total engineering—designing, manufacturing and testing of every component in its own factory. The difference is there to see :

1. The totally enclosed squirrel cage type motor is robust and corrosion proof.
2. Fine tolerances in shaft, rotor and bearing housing ensure long life and motor operation that's free of noise.
3. The power output matches power requirements of the impeller, enabling optimum efficiency.

— With its computer aided design and aerodynamically balanced impeller the fan achieves full speed in minimum time. This lowers energy consumption.

— The finest CRCA steel blades offer a kink free, uniform curvature for maximum air delivery.

No wonder, two out of three exhaust fans in operation today, in every industry and conceivable application, are GEC. And a generation of satisfied customers will tell you, that total engineering with international technology, makes the difference.

GEC Industrial Exhaust Fans

Total engineering makes the difference

TRADE MARK GEC PERMITTED USER-THE GENERAL ELECTRIC COMPANY OF INDIA LTD

Phones: Delhi 332 0762/2472/2522/2679/6106, Chandigarh 21 461/462, Jaipur 62 485. Lucknow 31443/49052, Kanpur 67 194/195/196, Madras 45 1575, Bangalore 56 4069/4123/2383, Secunderabad 825521/20, Cochin 351 681/752, Bombay 26 8141, Ahmedabad 22 804/805, Jabalpur 24 417, Nagpur 33 037, Calcutta 27 2880/8500, Patna 21860/23096, Bhubaneswar 51530, Guwahati 83 388.

TSAC-GEC-IEF-1

LUDHIANA STOCKMARKET

THE MORNING AFTER

The party's over. And the morning after has left a lot of investors and brokers on the Ludhiana stock exchange (LSE) with a bad hangover. With brokers either short of shares or money to square up deals, trading has been at a virtual standstill since mid-May. Outstanding payments in official deals add up to Rs 2 crores; if one were to tot up the unofficial ones, the figure moves up to a staggering Rs 15 crores. One broker, unable to meet commitments, has already shown a clean pair of heels. It is a matter of speculation as to how many more will join him if the crisis continues.

"There has been no settlement for the past three periods," a leading LSE broker told *BusinessWorld* in the third week of June. "The only trading taking place now is of a squaring up nature. No new deals are being conducted."

Not surprising, considering that brokers have been showing a tendency to do the vanishing act. The proprietors of Wahi & Co., a brokerage firm with whopping outstandings of Rs 30 lakhs in official deals alone, has vamoosed. Three others, with outstandings of Rs 28 lakhs, Rs 17 lakhs and Rs 9 lakhs, appear too broke to carry on broking. "If these guys also vanish without paying up, there can be no solution (to the crisis). For, who will pay for their liabilities?" asks a worried LSE broker.

The key question: why did the brokers overtrade to such an extent in the first place?

Reasons. One, because Punjab's booming economy seemed to signal happy days. And two, because hectic insider trading in the shares of the various Oswal family groups sent shares soaring to dizzy levels where brokers and even general investors began to feel they ought to join the party to liven it up.

The inevitable happened. When the sellers decided that the time had come to book profits, the brokers found they didn't have the stuff to take delivery. The result: a settlement crisis that looks unlikely to be resolved too quickly.

Prices have crashed. Within a matter of days after the settlement crisis erupted, Addi Industries, an export company, saw prices tumble from a high of Rs 105 to a level below Rs 40. The others declining and falling: Adinath Textiles from a high of Rs 84 to Rs 38, Punjab Concast from Rs 330 to Rs 200, Malwa Cotton and Mahavir Spinning from around Rs 150 each to Rs 77 and Rs 116 respectively, and Oswal Agro from an ex-rights quotation of Rs 100-plus to around Rs 70.

To understand the LSE crash, one needs to understand the macro picture around Ludhiana better. Given Punjab's agro-economy, the raingods decide whether its going to be boom or bust for the industrial sector. More so since much of Ludhiana industry's market is regional in nature. A good monsoon (as in 1988), and demand for everything booms.

Export bonanza. Besides, exports have been soaring. Textile yarn exports took off vertically to touch a level of Rs 50 crores in 1988-89. The target for the current year is Rs 75 crores. The spinning industry, the mainstay of Ludhiana business, spun super profits. *Basmati* rice exporters are also upbeat. Thapar Agro Mills, a Satish Thapar (no relation of industrialist L.M. Thapar) enterprise, managed exports of Rs 5 crores in 1988-89 against a piffling Rs 76 lakhs the year before. This year he airily talks of quadrupling the figure to Rs 20 crores, with Rs 10 crore of orders already in the bag.

The export bonanza has lifted bottomlines. Nahar Spinning, a 100% export unit of the OWM group, reported a phenomenal jump in earnings per share (EPS) to over Rs 60 (for a Rs 10 share). Oswal Fats & Oils has just put up a new toilet soap unit to cater to the export market. S.P.Oswal of the Vardhman group is also bullish. "In 1987-88, our group achieved exports worth Rs 16 crores; this year we will touch Rs 25 crores."

Most of the exports are going to the Soviet Union. Oswal Agro has received a Rs 10 crore order for exporting toilet soaps to that country. So has Oswal Fats. Nahar Spinning exports its entire garments and knitwear production to the Soviets.

With so many things going for Ludhiana's industry, the backdrop was just right for the stockmarket to whoop it up. And just as it began taking off, the various Oswal groups started game of oneupmanship by trying to push up their own share prices, adding fuel to the fire (see Special Report, p. 50). The scrips of the OWM group, in particular, headed for the sky. Nahar Spinning, struggling at Rs 20 last year, zoomed past the Rs 400 mark early this year. Malwa Cotton soared to Rs 139 (ex-rights) from a low of Rs 19 (cum-rights). Punjab Concast went up to a



ABHEY OSWAL OFFERED A PROP

mindboggling Rs 330 from a pathetic Rs 13 some months back.

Berserk market. Insiders on the LSE admit that much of the initial pump-priming was inspired by purchases made by brokers considered close to the companies' managements. And the market went berserk when speculators and investors got into the act. Says a Ludhiana broker: "Brokers here were buying shares at prices that were Rs 40 or so higher than the prevailing levels at Bombay and Delhi."

It was frenzy. Mahavir Spinning peaked at Rs 160, Adinath Textiles at Rs 84 and Thapar Agro at Rs 48. "Only a few months ago, no investor was willing to subscribe to my (i.e. Thapar Agro's) rights issue," observes Satish Thapar.

Aiding the madness was the narrow equity bases of the companies

(most below Rs 5 crores; many below Rs 1 crore), which meant lower floating stock. That, in turn, made manipulation easy. In Punjab Concast and Punjab Woolcombers, for example, the floating stock with the public is below 10% — a situation tailormade for manipulators. Skyhigh prices should normally bring forth selling pressure. But such was the optimism that one Delhi broker, when confronted with a sell order for Addi Industries' scrip priced then at Rs 105, confidently advised his client to hold on till the price reached Rs 250!

The brokers acting on behalf of the managements were less foolish. They started booking profits, as evidenced by the wide fluctuations in share prices during April-June this year. Nahar Spinning oscillated between Rs 240 and Rs 410, Punjab Concast between Rs 130 and Rs 330, Oswal Leasing between Rs 35 and Rs 80, and Mahavir Spinning between Rs 80 and Rs 160.

Uncowed bulls. But the Ludhiana bulls were still uncowed. They continued buying even though it was becoming obvious to everyone that they may not have the money to pay for their purchases. Brokers in Bombay and Delhi got the message and began to unload, triggering the crash.

As trading gradually ground to a standstill, the LSE authorities went with a begging bowl to the top brass of the OWM group seeking a bailout. The latter refused. Stung, the LSE brokers began leaking stories that implicated the OWM group in the share manipulations. The group has, however, issued a denial. Says Kamal Oswal of the OWM group: "The fault lay with the speculators."

A partial bailout was reportedly arranged through SBI and Canbank mutual funds, which bought Punjab Concast and Nahar Spinning at their official quotations in early June, though in reality there was no basis for the official quotations.

Abhey Oswal is also believed to have pitched in with help to support his Bindal Agro scrip by making purchases in the range of Rs 77-78. But altruism may have less to do with Abhey's gesture than self-interest. For just round the corner is a Rs 156 crore Bindal Agro rights issue.

For the rest of the investors, however, there is no bailout in sight.

■ *Alam Srinivas*

MTNL

FROM POTS TO PANS

The Mahanagar Telephone Nigam Ltd. (MTNL) is gearing up for the hitech era: it is moving, it claims, from Pots to Pans. That's short for Plain Ordinary Telephone Service to Peculiar and Novel Service.

What's peculiar about the new service is that it has taken such a long time coming. Pans was tried out on an experimental basis earlier but it didn't exactly pan out. This was partly due to poor response and partly to MTNL's bureaucratic structure.

"But now instead of using bureaucratic procedures, we at Bombay Telephones will adopt commercial procedures," says D.N. Nanda, chief general manager of MTNL (Bombay). "There is no substitute for good service."

New facilities. The good service — the Pans package — has been unveiled under a programme styled Phone Plus. It offers nine facilities. These are abbreviated dialling (a two-digit code for often dialled numbers), wake-up calls, call waiting (which alerts that another party is calling), call transfer (used to redirect calls to another number), hunting facilities, conference facility, last number repetition (which eliminates repeated dialling for an engaged number), hotline and subscriber trunk dialling (STD) locking codes.

NANDA WILL ADOPT COMMERCIAL PROCEDURES



The charges for most of the services are Rs 20 per month with the hunting facility being thrown in free. There is also a package to avail of five of the services at a concessional rate.

If MTNL does get subscribers to bite (and response for abbreviated dialling, call waiting and STD locking has been good), it should add up to a lot of moolah. The 22 digital electronic and analogue electronic exchanges on which these facilities can be availed of have a total of 2,00,620 lines. Assuming that 50% of them opt for the discounted package, the extra revenue adds up to Rs 80 lakhs a month.

And all this does not cost MTNL, which was set up to run the Delhi telephone system as well, very much. The exchanges already have inbuilt provisions for offering these services and the only additional outlay involved is in the publicity and paperwork.

Changing tack. So why did it take MTNL so long to wake up, the first electronic exchange having come up in Bombay in 1983? In the process, the outfit must have lost out on a lot of money. "True," agrees Nanda, but he hastens to add that MTNL is changing tack. "The very purpose of forming a telephone corporation is to see that it becomes a financially viable proposition," he says.

Currently demand is picking up. H.D. Khosla, the divisional engineer at the busy Cooperage exchange in Bombay, says he gets four to five calls a day enquiring about the Phone Plus services. "The special service is provided within 24 hours of asking for it," he says.

So far MTNL has been marketing Phone Plus on a low key. But with a newfound commercial sense, it is likely to start beating the pots and pans soon. Phone Plus could, after all, prove its hotline to a healthier bottomline.

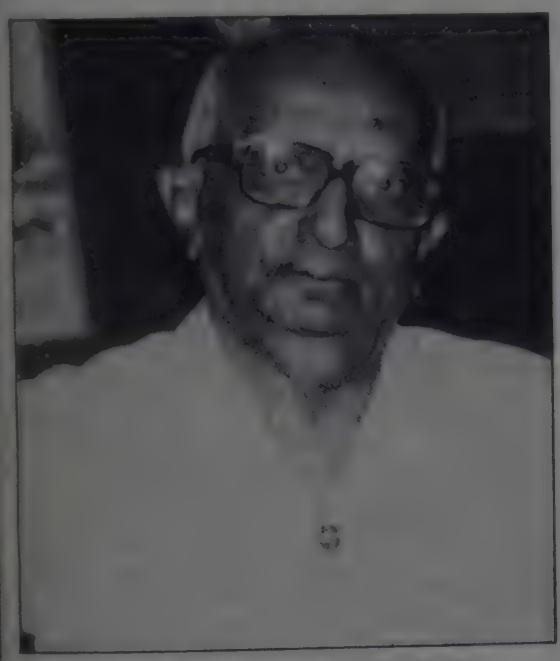
■ *Maya Rai Choudhuri*

ACETIC ACID

ACIDIC JAW-JAW

It is a case of a score of Davids locking horns with a veritable Goliath. But, untrue to fable, it is the Goliath who looks set to emerge victor. The 20-and-odd traditional manufacturers of acetic acid seem set to be swamped under by the entry of Gujarat Narmada Valley Fertilizers Co. Ltd. (GNFC).

For starters, it is a mega-project by industry standards envisaging a 40,000 tonnes per annum (tpa) production at an investment of Rs 88 crores. Besides, it will be using captively produced methanol as feedstock while all the other units have to depend on uncertain supplies of alcohol.



KAVADIA SEES NO NEED FOR GNFC'S PROJECT

The existing industry has reason to cry foul. GNFC was given a letter of intent in 1986 when there was a shortage of alcohol and, thus, acetic acid. Today the situation is different. Alcohol is available aplenty. According to industry estimates, the output of molasses in 1989-90 will be about 5 million tonnes which translates itself into 10 lakh litres of alcohol. Of this, 30% has been reserved for industrial use. "This is enough to cater to acetic acid demand. There is no reason why the authorities should not take a second look (at GNFC's proposal)," says P.M. Kavadia, vice-president of the All India Alcohol-based Industries Development Association. "There is no need for such a project. We have the capacity to meet the demand."

The industry's present installed capacity is 1 lakh tpa. It produced 62,166 tpa of acetic acid in 1987-88 against a demand of 55,000 tpa. In 1988-89, output is estimated at 90,000-95,000 tpa against a demand of 80,000 tpa.

A point. But GNFC has a point too. Acetic acid is used for the manufacture of purified terephthalic acid (PTA), dyes, pharmaceuticals, textiles and chemicals. The company claims that it will help meet the needs of emerging acetic acid guzzlers, the PTA producers. Besides, says the company, it is moving in line with the government policy of encouraging new technologies.

There is a further prong to the GNFC stand. India is the only country in the world to manufacture acetic acid through alcohol. Elsewhere, it is produced from methanol. But the association has an answer. "Since other countries were not blessed with adequate agro-based renewable feedstock like alcohol, they went in for an alternative route — through methanol. How is this hi-tech?" asks Kavadia. Claiming that there is no room for a new plant, he says, "We have applied for capacity expansion to meet the PTA manufacturers' needs."

But it is not all that hunky-dory with the existing manufacturers. In 1986, of the 20 manufacturers in the industry, six had downed shutters — three in Andhra Pradesh (an alcohol-starved state) and one each in Maharashtra, Tamil Nadu and Karnataka. Four other units were on the brink of closure due to lack of alcohol.

In the light of this crisis, the government had asked the Ganguli committee on alcohol-based petrochemical units to submit its findings on the industry. In early 1988, the committee tabled its report which stated that methanol technology was sophisticated and should be brought into the country. It added a rider: if there was easy and continuous availability of alcohol, there would be no need for methanol-based acetic acid projects. The committee, therefore, recommended that the government should be liberal in granting approvals for expansion.

Expansion approvals. Several manufacturers have since been granted expansion approvals. The installed capacity of the industry is expected to double from the present 1 lakh tpa to 2.2 lakh tpa. Demand is estimated to rise from the present 80,000 tpa to 1.2 lakh tpa by 1991-92 and further to 1.75 lakh tpa after the Madras and Saleempur PTA projects go on stream. Besides, among the closed units, Union Carbide (Maharashtra)

ACETIC ACID CAPACITY

Company	88-89	90-91*
Maharashtra		
Indian Organic Chem.	9,350	15,000
Kolhapur Sugar Mills	8,400	15,000
Somaiya Organo Chem.	6,200	15,000
Hindustan Organic Chem.	3,000	6,000
Sanjivani S.S.K.	4,500	4,500
Shethari S.S.K	3,000	4,000
Union Carbide India +	3,000	3,000
Gujarat		
Gujchem Distillers	7,500	7,500
Ashok Organics	7,000	13,000
Uttar Pradesh		
Somaiya Organics	7,600	15,000
Vam Organic Chem.	22,750	36,400
Tamil Nadu		
Trichy Distilleries	4,500	11,000
Southern Hydrocarbons+	1,800*	1,800
Karnataka		
Mysore Sugar & Chem.	3,000	3,000
Kepchem	4,500	4,500
Southern Organo Chem.+	3,000	3,000
Bihar		
IDPL, Muzaffarpur	4,500	4,500
Andhra Pradesh		
Andhra Sugars +	1,080	1,080
APIDC -	2,800	2,800
Sirsilk +	5,600	5,600
Total	1,13,080**	1,71,680

* After capacity expansion
\+ Non-operational
** Including non-operational capacity

Source: AIABIDA

and Southern Organo Chemicals (Karnataka) are planning to up shutters and "other closed units will follow suit in the near future," claims Kavadia.

But GNFC, which may have a lot of surplus methanol after its expansion plans are implemented, is going ahead with its project and is pushing its case harder. It is dangling a carrot in the guise of the foreign exchange inflow that could result from a tieup with BP Chemicals of the UK, which will be providing the knowhow and buying back 50% of the output. The government, it seems, has fallen for the bait.

Round one is apparently GNFC's. The crucial battle will be in the second innings. The Gujarat-based company holds a licence to manufacture 80,000 tpa of acetic acid. If the government gives the go ahead to GNFC to double capacity, it may well spell doom for the other acetic acid manufacturers. Small wonder the industry is prone to acidic comments on the developments.

■ *Roy Pinto*

JEWELLERY INDUSTRY

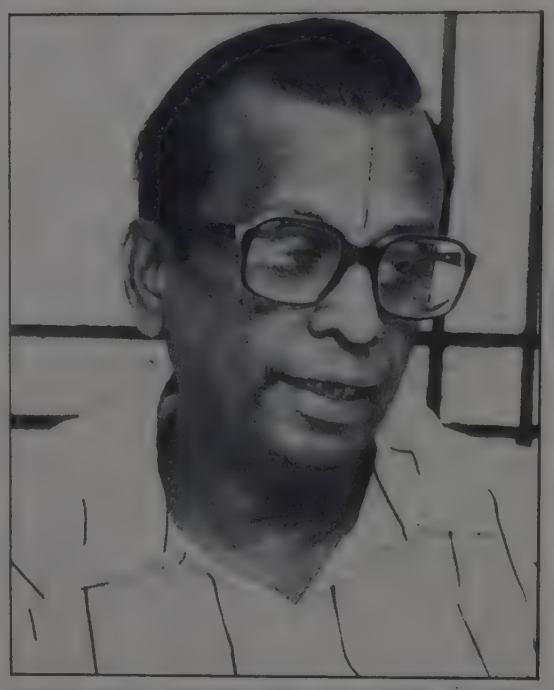
RUMBLINGS DOWN SOUTH

For southern jewellers, who have watched their pleas for a gold assaying centre in Madras progress from paper to premises today, it could not be more galling. They have got so tantalisingly close to their objective but it still stays proverbially far.

From decision to fruition is a long road, as the Federation of Jewellers of the southern region would be the first to agree. With a steady rise in gold dealings and exports from the south, the federation had been pitching for a gold assaying centre in Madras ever since a policy decision was taken in 1984 permitting collection-cum-delivery centres to come up in different parts of the country. One such centre was set up in Ahmedabad in 1987 and Madras is next in line.

The Gold Control Act of 1963 bans refining by private parties and the Bombay mint is the sole authority to refine gold and give standard bars in exchange for old jewels. Assaying — which means gauging the purity and gold content of an ornament — can also be done only at the Bombay mint. "Right now, all the big jewellers down south have to go to Bombay for refining. Add insurance and transport costs and where does that leave us?" asks Vummidi Nandagopal, president of the federation, and one of the largest jewellers in Madras.

Touch and go. The proposal for establishing a gold collection-cum-delivery centre was first mooted five years ago. Since then, it has been touch-and-go, with last minute hitches holding up the project while jewellers made the long haul to Bombay. After constant badgering, the finance ministry finally cleared the centre for Madras last May.



NANDAGOPAL GRUMBLES ABOUT ESCALATING COSTS

Then there was further dilly-dallying before the mint authorities identified a suitable building for the centre and moved in this March. "The centre requires a large area for the assaying," emphasises Nandagopal, which the federation arranged through one of its members. Now though the Bombay mint coughs up a cool Rs 26,000 a month as rent, work on gold collection has still not got off the ground. Grumbles Nandagopal: "I do not expect work to begin even by the end of July."

It isn't as though the infrastructure does not exist. Several modifications have been made at the premises for a strong room and the installation of induction furnaces and weighing balances claim jewellers, who believe the centre is ready to take off. A deputy chief assayer assigned to the centre has yet to assume charge, and a couple of assistants who were posted from the Bombay mint in March have been twiddling their thumbs since then. Moreover, says Nandagopal, all clearances from a host of departments have been pushed through.

What irks the jewellers most is the mint sending down from Bombay a truckload of obviously condemned furniture for the Madras centre. Admits an official of the centre, "The finance ministry closed down a department in Bombay so we are stuck with this furniture." Says a peeved Nandagopal, "It would have been cheaper to buy the stuff right here in Madras instead of the mint carting it all the way down."

Boosting fortunes. The prolonged delays apart, the centre in Madras is expected to boost the fortunes of the jewellery trade, as also exports, from the south. Jewellery exports from the south spurted to around Rs 10 crores in 1987-88 from less than Rs 2 crores the preceding year. Nandagopal expects this to hit Rs 36 crores this year, of which gold jewellery exports alone will be Rs 6.76 crores. "The number of exporters have gone up to nearly 50 from about four or five in the past," he says.

The centre will have a massive buffer stock of 800 kg of gold which is to be issued to the trade against old jewellery handed in. But the prerogative of refining still remains with the Bombay mint and jewellery from the various centres will have to be carted to Bombay. "An assaying centre in Madras will go a long way towards ensuring consumer protection. The purity of an ornament can be checked right away instead of waiting for a report from Bombay," feels Nandagopal. That's going for gold all right.

■ *Vinay Kamath*

ONGC

PUSHING GAS IN TRIPURA

They lie at the opposite ends of India. And economically too, Tripura and Gujarat are virtual opposites. While Gujarat hums with industrial activity, Tripura's development languishes. But they have a significant similarity. Both have abundant reserves of the 21st century's prime resource — natural gas. And, with a bit of luck and political acumen, Tripura and the laggard eastern region may undergo a wonderous transformation and repeat the Gujarat and Maharashtra success stories.

"I think if we are able to use natural gas properly, this region's economy can be radically transformed," says A.K. Gupta, of the Oil & Natural Gas Commission's (ONGC's) central region business centre. The Tripura government's economic outlook is buoyed by gas reserves which are about a quarter of those at Bombay High — the largest gas field in India.

At its peak, ONGC can supply an impressive 6 million cubic metres per day (cmd) of natural gas, provided, of course, the state government is able to lure enough consuming units. (Current gas consumption in India is about 20 million cmd.)

But these are long-term prospects. By the mid-nineties, ONGC hopes to pump out only 5.78 lakh cmd. That, of course, excludes a possible consumption of 35 lakh cmd of gas by a proposed gas-based power station. During the next few years Tripura gas will be used by the following sectors:

Fuel. Following similar experiments in Bombay and a few towns in Gujarat, Agartala may soon use natural gas as a cooking medium. ONGC is already supplying gas to its own township. To extend this facility to city households, the state government has invited bids from the Assam Gas Co. and the Bombay Gas Co. "We hope to start with a supply of 20,000 cmd and eventually take it to 80,000 cmd," says S.K. Chawla, general manager in charge of the Tripura project. "And using the same network we hope to put gas on tap for many small and medium sized industries to be used as industrial fuel." Brick kilns are also being encouraged to switch over to gas and Atul Glass Industries is setting up a 15,000 tonnes per annum vanaspati plant which will use 30,000 cmd of gas. Other potential users are paper and rubber units.



AN ONSHORE RIG IN TRIPURA

In a novel experiment, ONGC is also promoting gas as a **petrol substitute.** Vehicles can switch from petrol to compressed natural gas stored in a cylinder. The market is not big (Tripura has only 5,000 registered vehicles), but ONGC is trying to rope in military and paramilitary vehicles too.

Power. This sector will be by far the single biggest user of gas. At the moment there is just a small 5 Mw power station to be upgraded to 15 Mw by March next year. Another 15 Mw plant (gas consumption: 2 lakh cmd) will start by November this year, while a long-delayed 75 Mw plant is on the cards. But the biggest gas guzzler will be a proposed 500 Mw combined cycle plant to be set up by the National Thermal Power Corporation (NTPC). When this plant goes on stream — hopefully by 1995 — it will consume about 35 lakh cmd of gas.

Chemicals. A 300 tonnes per day methanol plant, to be set up jointly by the Tripura Industrial Development Corporation and Rashtriya Chemicals & Fertilizers is on the cards. The methanol output — like the Gujarat Narmada Valley Fertilizers Corporation plant at Gujarat — will spawn downstream units making products like formaldehyde and melamine. Besides, the state government is also keen on fertiliser and PVC plants.

If all this gives an impression of a flurry of activity, it is because ONGC is pushing hard for gas usage. The state government is yet to demonstrate the kind of enterprise that is needed to turn this new resource into products that would add slabs to the GNP and at the same time transform the economy once and for all. Besides, a major hurdle has to be crossed before the proposed gas-based projects take off. And that is gas price.

Compared to a basic rate (for 1,000 cubic metres) of Rs 2,250 for HBJ gas and Rs 1,400 charged by ONGC for Bombay High gas, in Tripura the price has been kept artificially low at Rs 500. "Our cost of production itself is Rs 1,484 and that too at high levels of production," says Chawla. So the more it sells the more ONGC loses. Not a very encouraging prospect for an organisation which has already spent over Rs 300 crores in the Tripura belt and is now getting a return of just Rs 1 crore on that.

Yet ONGC is pushing for more gas usage. Even by dangling the carrot of equity participation in gas-based projects. That is a illusory come-on. All ONGC is interested in is getting enough projects started and then asking for a price hike. If this strategy rubs off on the state government, both ONGC and Tripura can ride high on gas.

■ *Debashis Basu*

GAS CONSUMPTION

(in lakh cubic metres per day)

	1989-90	1990-91	1991-92
Power	2.75	3.50	5.00
Industrial	0.05	0.05	0.13
Fuel	0.07	0.25	0.65
Total	**2.87**	**3.80**	**5.78**

Source ONGC

SELECT PSUs PERFORM WELL

Collectively, the public sector is not in bad shape. The net profit of the public sector undertakings has gone up by 50% to Rs 3,100 crores in 1988-89 from Rs 2,100 crores in 1987-88.

A major chunk of the profit was generated by the steel, heavy engineering and power sectors. The petroleum sector chipped in with 30% of the profit.

Among the high-performance public sector companies are Air-India which made a profit of Rs 30 crores, Steel Authority of India (Rs 300 crores) and the Indian Petrochemicals Corp. (Rs 95 crores).

Companies in the textiles, fertilisers, paper and consumer goods sectors were in the 'red' book. While profit-making companies made more profits, the loss-making ones chalked up more losses.

MEASURES TO CHECK MARINE JOB-HOPPERS

The flotsam and jetsam may finally be anchored now. A joint committee of Indian shipowners and recruiting agents has taken some self-regulatory measures to prevent Indian marine officers leaving for lucrative jobs abroad.

Some of them are:

- Stopping further recruitment of officers. Recruitment done till 10 February will be valid.
- Agents will not lure officers employed by Indian shipping companies. For purposes of recruitment, they will train officers.

Besides these, the committee has urged the director general of shipping to assume powers under the general rule-making provisions of the Merchant Shipping Act for mandatory registrations of all agents recruiting officers for foreign vessels. It has also urged the director general to warn emigration authorities at seaports and airports to allow only officers who carry certificates from registered agents. Another proposal by the committee is that if officers' salaries were made tax free, they would not go elsewhere for better jobs.

INSURANCE COVER FOR INVESTORS?



MAYYA WANTS TO INSURE INVESTORS

The Bombay Stock Exchange (BSE), according to its executive director M.R. Mayya, is planning to submit a proposal to the Union finance ministry and the General Insurance Corporation (GIC) to provide insurance cover for market debacles.

Under this scheme, if the share price of a company falls below par value, the company or a designated financial institution will buy back the shares at par. The difference between the market value and the face value will be covered by the insurance policy. This same proposal had come to nought when it was first proposed in 1979.

Meanwhile, GIC has launched its stock exchanges/brokers insurance policy. The overall limit of the policy is Rs 1 crore with a sub limit of Rs 5 lakhs per broker. This policy is meant to protect the brokers against monetary loss due to the attestation of share transfer documents. These losses have to be borne by brokers if the signatures of the sellers of shares do not tally with those on the company's records. In such an eventuality, the brokers have to bear the cost of providing additional shares to buyers. GIC is also financing another insurance policy to cover lost or stolen share certificates.

POOR PROGRAMMES

How effective are anti-poverty programmes, such as the integrated rural development programme (IRDP)? In this year of the Jawahar Rozgar Yojna, that's a Rs 500-crore question. Answer: such programmes have had "only limited success." So says G. Morley Mohan Lal of the Institute of Management, Trivandrum.

Lal, who recently published his study on the working of anti-poverty schemes during the sixth plan, identifies several causes why the lot of the poor hasn't improved. These include erroneous identification of beneficiaries, incorrect investment patterns and lack of critical assessment of beneficiaries.

Lal also found that 17%-20% of the beneficiaries of anti-poverty programmes succeeded in crossing the poverty line. More, "most of those who were 'uplifted'... were close to the poverty line." Very few of the really poor have succeeded in bridging the great divide.

Lal suggests correcting the imbalances in the designs of these programmes as a means of improving their effectiveness. In the absence of such corrections, the poverty of these programmes may continue to defeat their objectives.

TYRES AND TUBES DELICENSED

The liberalisation bandwagon rolls on. The government has now announced the delicensing of the automobile tyres and tubes industry. About 30 industry groups for non-MRTP and non-Fera companies and 71 industries for MRTP and Fera companies have already been delicensed.

However, in keeping with the customary official caution, the liberalisation has several 'if's attached. For one thing, the delicensing does not apply to items reserved for the small-scale sector. Secondly, the delicensed units will have to be located in backward areas notified by the Central government. The idea, evidently, is to decongest cities and create more jobs in the hinterland.

Businessmen have raised hurrahs over these decisions. Industry, they enthuse, will now be able to expand in a big way to cater to demand, which is placed at around 400 lakh tyres a year.

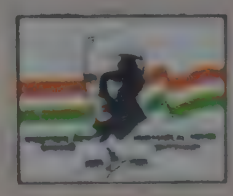
For once I've had a tension-free business trip. Thank God for State Bank Travellers Cheques.

You have buying power, as long as you carry State Bank Travellers Cheques. And if they get stolen, destroyed, or lost, your money is still safe. Because no one can encash your travellers cheques but you. And there's no time limit. They can stay with you for years without encashment. So the next time you travel, take along State Bank Travellers Cheques. They're the best alternative to money. And you can encash them at over 35,000 outlets all over India including more than 11,000 branches of State Bank of India and its associate banks.



State Bank

STATE BANK TRAVELLERS CHEQUES — FOR TENSION-FREE BUSINESS TRAVEL



CHAITRA-B SBI 1666



JATAR BREATHES NEW LIFE INTO SCOPE

EXPANDING SCOPE

Like the proverbial phoenix from the ashes, the long moribund Standing Conference of Public Enterprises (Scope) has risen to live a new life. Wracked by internecine problems which were aggravated by allegations of financial irregularities, Scope's credibility had nosedived to rockbottom by the mid-eighties — and this hardly spoke much of a professional forum created only in 1974. It was left to the indefatigable Col. S.P. Wahi, who became Scope's chairman in 1986 for a two-year term, to set about pulling it up by the bootstraps.

His successor is Major General (retired) S.C.N. Jatar, chairman and managing director of ONGC Videsh Ltd.(formerly Hydrocarbons India Ltd.), who has assumed charge after roundly defeating International Airport Authority of India (IAAI)'s since discredited chairman N.K. Singh. A tried and trusted soldier who led Oil India through a critical period earlier this decade, Jatar is determined to cleanse the Augean stables at Scope once and for all. His mission:"I want Scope to earn recognition as a representative body of the public sector whose voice deserves to be heard."

Sole aim. According to Jatar, the idea behind Scope is not to form a union or a forum for bargaining. Rather, it is to evolve a machinery by which the 245 public sector undertakings which are Scope's members can collectively interact with the government with the "sole aim" of improving sectoral performance.

He says there is a pressing need for such interaction, because quite often public sector managers are unable to deliver the results which are expected of them owing to lack of support from their parent departments. "If public sector undertakings are not doing well, it is not because their managers are not up to the mark but owing to very many operational impediments. One of Scope's roles is in identifying and removing these impediments," says Jatar.

An overall attitudinal change is called for, he adds. For one, a "much greater sense of belonging" ought to emerge on the part of government in favour of these undertakings. "Shareholders and managers are partners in commerce. Both parties share risks and have duties and obligations. Shareholders no doubt have a right to guillotine a management which does not perform, but this does not mean that they, as owners, are absolved of responsibility for non-performance. I can categorically state that no public sector undertaking would make a loss if parent ministries fully support their commercial ventures and accept that a failure to perform on the part of an undertaking is equally a failure on the part of government," declares Jatar candidly.

To give its dialogue with government some focus, Scope is currently busy preparing approach documents on ticklish contemporary issues like privatisation, the role of government directors on public undertakings' boards and the aspect of governmental commitment in memoranda of understanding. A panel of honorary advisers (Prakash Tandon, Lavraj Kumar, S.M. Patil and Kamla Chaudhury) has also been constituted to act as an objective think-tank. Four regional chapters at New Delhi, Bombay, Calcutta and Bangalore have been formed as well.

"I want Scope to be heard," repeats Jatar. As a first step, the general's altruistic battle-cry deserves an audience.

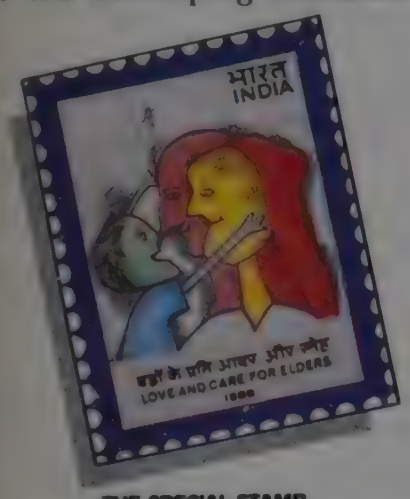
AT HOME WITH CHARITY

Charity is big business these days. In Britain, for example, over 200 voluntary agencies — most of them with charitable status — operate in causes as diverse as emergency relief, succour for children, prevention of human suffering and relief from distress. One of the larger aid charities is the London-headquartered Help the Aged, which runs on an annual budget of £25 million (Rs 70 crores) raised entirely — and recurringly — from donations. Its international operations are coordinated by umbrella body Help-Age International, to which associations from 16 countries are currently affiliated, each de-

dicated to the cause of geriatric care.

"HelpAge International is a network of organisations working with and for elderly people throughout the world. Its aim is to improve the standard of life for poor, elderly people regardless of their religion, race or sex. We support programmes to assist in meeting the income, health, physical care, social and emergency needs of older people," explains well-known New Delhi-based company chairman and director M.M. ('Mohni') Sabharwal, who has recently been elected chairman of HelpAge International. Incidentally, this is the first time that someone from the developing world has been appointed to this honorary position.

Eroding values. According to Sabharwal, who at a ripe 67 eminently qualifies as an elder, geriatric problems are on the rise in the developing countries of



THE SPECIAL STAMP

Asia and Africa owing to several reasons. Rapid urbanisation, migration and the greater participation of women in the labour force are major factors behind the shift in attitude by which elderly folk are no longer certain of receiving care and affection from their offspring. "Traditional values of respect and reverence for the elderly are being steadily eroded," notes Sabharwal with concern.

In India, the physical dimensions of the problem can be gauged from the fact that today over 28 million citizens are aged 65 or more. And if the present population trend continues, this number will double by the turn



OLD IS GOLD FOR SABHARWAL

of the century while another doubling will take place by 2025. Sabharwal says the ministry of social welfare has been "strongly supportive" of HelpAge's endeavours. (Sabharwal is also concurrently president of HelpAge India, a registered national voluntary organisation which runs to a Rs 3 crores annual budget.) Last year, prime minister Rajiv Gandhi had released a special stamp on the theme 'Love and Care for Elders', symbolically acknowledging the elderly as a group in need of material and emotional assistance.

The business aspect of running a charity comes in the fund-raising part. As Sabharwal points out, HelpAge is dependent on public support for continuation of its work. Persuading people to part with their money is not the easiest of occupations, but HelpAge begins at the grassroots by involving schoolchildren to raise funds. Indeed, HelpAge India's annual report gratefully lists the names of over 700 schools all over the country whose pupils and teachers have helped raise donations.

"Of course, nothing can replace a blood relative's natural love and affection for his elders. But shouldn't we all do our bit to support the cause of the aged?" poses Sabharwal, who has accomplished a graceful and exemplary transition from professional manager to professional philanthrope. He for one realises that not everybody at his age is in such an exalted position.

STRATEGIC ALLIANCE

Wipro Information Technology Ltd. (WITL) has done it again. Last year, it tied up with Sun Microsystems for manufacturing engineering workstations. Now, the company has been appointed the representative in India for marketing, sales, installation and support of the products of Convex Computer Corporation, the Texas-based manufacturer of distributed supercomputers.

Some 12 Indian computer firms were in the running for this privilege, out of which six were finally shortlisted. WITL made it, according to Kenneth Kin, Convex's director (marketing and sales, Asia-Pacific) because of its technical and financial strengths, capability to integrate supercomputers with workstations, and, not the least, its link up with Sun Microsystems with which Convex shares a close and complementary relationship. "It is a strategic alliance," says WITL president Ashok Soota.

Dominating share. Convex, founded in 1982, has in a short time come to dominate the mini-supercomputer market in the US. It had a 51.1% share of the $ 206.5 million US market in 1988. The Convex range of supercomputers finds application in areas such as oil exploration, seismic and image processing, computational fluid dynamics, molecular

SOOTA AIMS FOR A 50% SHARE





THE CONVEX COMPUTER

modelling, electronic and mechanical design, and other similar applications which require processing of large data arrays.

According to Soota, the Convex supercomputers are well suited for India because of the popularity of the Unix operating system, and their comparatively low price. He sees weather forecasting, oil exploration, seismic data processing and defence as potential application areas in India. WITL plans to sell two systems, each costing $1-1.5 million, in the first year. "We are ultimately aiming for 50% of the Indian market share," says Soota.

For the moment, however, it is purely a vending activity. "I do not see any immediate possibilities of taking up manufacture for the domestic market because of poor volumes but we would like to initiate a buy-back arrangement with Convex — they are willing to go along," says Soota. WITL will also be identifying application areas where it can produce its own software.

WITL is evidently going places and, after acquiring a place in the Sun scheme of things, it has found a new super route.

WATCHES TO MATCH

The passion for fashion has found a new arena to conquer — time. Watches with metal cases, leather and metal straps are now passé. Their counterparts with plastic cases, colourful dials and polyurethane straps seem to be on the way to becoming the mode.

First off the starter's block was Allwyn with its Trendy range. Next, Titan took the same tack with Fastrack. And now, perhaps the oldest watch company in the private sector — Indo-French Time Industries Ltd. (IFTIL) — has taken the plunge with nearly 30 designs and 100 colour combinations on offer. Says Nikunj Shah, executive director of IFTIL, "I want to add colour to time. Watches available currently are boring looking for a particular segment. The time was ripe for such a launch."

Unlike Titan and Allwyn, IFTIL, the Bombay-based maker of Timestar Watches, is piggy-back riding on an international brandname — Swatch. Clarifies Shah, "However, my watches are branded TS-Watch and not Swatch. There is no Swatch tieup."

But playing around with the Swatch brandname has worked. Sales, since the recent TS-Watch launch, have taken off, with nearly 8,000 pieces being hawked in Bombay alone.

Marketing mode. Shah has also taken a different marketing tack from the two majors. While Trendy and Fastrack are currently vended through conventional watch stores, TS-Watches are being sold through "non-conventional outlets" like hi-fashion boutiques, garment and departmental stores. Says Shah, "Since these are new types of outlets, there's practically no competition." His target audience: anyone between 15 and 30 with some money.

NO COMPETITION, SAYS SHAH



Shah is banking on the fact that when a yuppie customer buys an expensive outfit at a boutique, matching TS-Watches will be an impulse purchase. Says he,"TS-Watches should be bought as fashion accessories. I'm looking towards a customer buying not one, but as many as the outfits he buys or possesses."

The concept has worked internationally and Swatch, the Swiss company, sells nearly 50,000 watches daily the world over. It could work here too, if quality is ensured. Says Shah, "The watches are checked for quality stringently. If there are any problems with it within a year, I'll replace it free." What would also help is the number of fashion labels which have spawned several boutiques in the country. And a customer spending big bucks for a Weekender, Intershoppe or Benetton outfit would not be too perturbed by the Rs 325 odd TS-Watch sticker price (smuggled Swatches cost Rs 750-800 locally).

Shah doesn't plan to have his TS-Watch market anchored to Bombay alone. He hopes to go national by next year. "But it will be done in steps, with each regional market being saturated along the way," says Shah. But he will have a hard time ensuring that his watches are heard of and seen because the advertising war-chest he has laid aside is a meagre Rs 25 lakhs.

The sales target for the watches currently being assembled, using West German quartz movements and locally made components thus looks ambitious: 3 lakh pieces adding nearly Rs 9 crores to IFTIL's Rs 18 crore turnover. If, however, the market gets ticking, Shah's Swatch may cut a substantial swathe.

WHITE REVOLUTION

From pickles to cement. It's truly a solid leap forward for the closely-held Calcutta-headquartered Bhalotia group. Owners of Daw Sen Co., the locally popular pickle manufacturers, the Bhalotias are now setting up a new company styled Nihon Nirmaan Ltd. (NNL) to manufacture white cement. To this end, equity and technical collaborations have been tied up with Nihon Cement Co. Ltd., of Japan (sales: Rs 2,800 crores).

Promoter J.P. Bhalotia explains that this is the first Indo-Japanese joint venture in the Indian white cement industry. Nihon of Japan is chipping in with a 10% equity stake, while two state development corporations in Rajasthan are also taking up minority positions. The plant, expected to start commercial production by end-July, is being set up at Gotan (Rajasthan) at a cost of Rs 41 crores.

Says Bhalotia: "Our Japanese collaborators are providing us with the latest state of the art technology. Nihon Nirmaan's white cement plant will have several exclusive and patented features making it one of the most sophisticated plants of its type in our country. Its fuel efficient, dry process technology coupled with modern equipment and manufacturing facilities will ensure that the plant's products will be on par with international standards." The cost of acquiring technological knowhow has been Rs 86 lakhs, he adds.

Major expansion. Although there is glut in the grey cement market right now, Bhalotia feels that the construction industry is poised for a major expansion owing to the thrust given by the Union government towards housing in the eighth plan. "As such, the demand for both grey and white cement is projected to rise continuously," he explains.

Between the two, he says white cement has singular prospects because of its attributes like greater bonding and compressive strength. Its present-day usage in India, though, is limited to the manufacture of mosaic tiles, terrazzo flooring, cement paints and white cast stone work for buildings. But Bhalotia is optimistic that white cement will find increasing usage in the construction of roads, which is a potential mega-market in the Indian context. For the moment, he is scouting around for export opportunities. The fledgling company has also entered into an export assistance agreement with Nihon for the overseas marketing of its products, especially in the Gulf and African countries.



BHALOTIA CEMENTS A JAPANESE TIEUP

Not that India can spare a great deal for exports. On the home front, the annual demand for white cement is about 275,000 tonnes. The three existing manufacturers (Travancore Cement, JK and Birla White) together manufacture around 195,000 tonnes. Nihon Nirmaan's capacity is neatly slotted to cement the existing gap between demand and supply.

LANDING IN LUCRE

If you're in deep waters, head for land. Around mid-June, there were few signs that Dubai-based non-resident raider Manu Chhabria's troubles were over but that did not stop group company Shaw Wallace and Co. Ltd. (SWC) from making a big splash on land. Barely six months after setting up a real estate subsidiary, Shaw Wallace Properties Ltd. (SWP), the Rs 300-crore liquor and breweries company teed off plans for a housing complex in the distant, but fast-growing, Bombay suburb of Nalasopara. 'Shaw Blossom' — the proposed complex — is the first of SWP's projects and will offer 98 flats of different sizes apart from 10 shops.

The kickoff, announced through large advertisements in leading newspapers, means that SWC has stolen a march over a number of other private sector industrial bigwigs who have been testing the waters or waiting in the wings for a foray into real estate for quite a while. "We haven't rushed into the business either," says SWC's low-profile but astute vice-president, K. Srinivasan.

Simultaneously, the company began scouting around for land in the metros and the smaller cities. "It was very necessary to get a clear idea of the business before kicking off," says Srinivasan. Next it went about building up a crack team to run the show, tapping talent from within as well as without. There's lucre in land, no doubt, and Srinivasan admits that the returns "compare very favourably" with other industries. And yet, he doesn't expect it to be a cakewalk. Real estate is a "very personal attention-oriented" business, says he. "Quality is very important because for the customer it is usually a life-time's purchase." Time schedules are equally important. He adds: "'Any slip-up in time management can make project costs go haywire."

Overwhelming response. SWP's USP is two-fold: one, the company enables flat buyers to make payments entirely by cheque, and two, it can ride piggyback on Shaw Wallace's corporate reputation. Some additional carrots: loan facilities are on offer through tieups with the Housing Development Finance Corporation (HDFC); besides, to make things even easier for buyers, SWP also promises to do the dirty paperwork and handle the legal requirements.

Investors have already begun



WORLD EXHIBITION
OF METALWORKING

EMO Hannover is the challenge to your company to match up to international competition. The exhibition centres on machine tools, covering the complete spectrum of the metal cutting and metal forming fields including sheet metal, wire and tube working. Also included are the flexible automation technologies: electronics, control engineering, CAD/CAM, manipulation, assembly, robots, sensors and diagnostics.
And naturally the extensive sector of precision tools and accessories is also represented.
EMO Hannover is the meeting point for specialists from all over the world.

IND - 2
INFORMATION
Generalkommissariat
der EMO Hannover
Messegelände
D-3000 Hannover 82
Telex 924050
Telefax 511-86 27 39

EMO
Hannover
12–20·IX·1989



THE REAL ESTATE CAKE IS BIG, SAYS SRINIVASAN

to bite. According to a Shaw Wallace executive, the response has been overwhelming. Barely days after bookings opened for the Nalasopara flats and shops, the company was swamped with applications. "We were overbooked in no time," claims the executive.

Srinivasan is bullish about the future. While SWP has plans to handle projects involving around half a million square feet of built-up area in the next one year, he expects the business to grow at the fast clip of 15% to 20% annually. "We want to achieve a turnover of Rs 200 crores from real estate operations in the next five years," says he. No mean figure that, considering that Shaw Wallace's current turnover from all activities is in the region of Rs 300 crores.

But Shaw Wallace will have lots of company. The top guns of Indian industry — the Tatas, JK Synthetics, the UB Group, ACC, Larsen & Toubro, ITC and Godfrey Phillips — are all believed to be toying with the idea of making it big in real estate, which means that things may begin hotting up soon. Srinivasan, however, is not losing any sleep over this prospect. "The real estate cake is so big, there's virtually no competition provided you deliver the goods," he says.

He's probably right. By 1990, the housing shortage is projected to cross the mind-boggling 40 million mark. That means the players can get their piece of action without having to jostle one another.

One question looms large, though. If cash-rich corporate giants get into real estate in a big-gish way, land prices are bound to shoot up. After all, they ain't making any more of it anymore. What happens to the consumer?

(Contributed by Sujoy Gupta, N. Raghavan, Anil Wanvari, Ashoke Laha and Sanjoy Narayan.)

PROS & CONS OF CP

Commercial paper (CP), an eagerly-awaited financial instrument, opens up new avenues not only for short-term borrowings at competitive rates but also for short-term investments of surplus funds. But before one rushes to sing its praises, one must understand both its potential and limitations.

Defined as a short-term money market instrument, CP can be issued by way of promissory notes for a fixed maturity. It will be totally unsecured and will have a maturity period of 90-180 days. As CPs do not carry any security backing, the Reserve Bank of India (RBI) has allowed only sound companies to issue them initially.

CPs can be issued in the primary market either directly by the issuers or by way of placement by intermediaries like merchant bankers and brokers. The companies eligible will have to follow the procedures laid down by the RBI which include: (a) approaching Crisil (Credit Rating Information Services of India Ltd.) to get the paper rated; (b) approaching the RBI for issue approval, for which companies will have to wait in queue; and (c) approaching a merchant banker or a broker for the placement of the issue. CP issues cannot be underwritten, but banks may offer standby credit lines if the issues remain unplaced.

Following the issue of CP, the working capital facilities of a company will stand reduced to the extent of the CP issue. This is because CP can be issued only to finance working capital needs and it thus acts as a substitute for bank credit. CPs are thus a step towards securitisation — i.e. a process of increased disintermediation in the financial market whereby dependence on the banking system for financing is sought to be reduced by allowing direct access to the capital market.

CPs will normally be issued at a discount, with the discount rate being the implicit interest rate. The discounting rates for CPs will move in a range allowed by the credit rating and will be related to: bank interest rates for advances; call money market interest rates; and deposit and debenture interest rates.

Though CPs may make borrowing cheaper for the corporate sector, it is important to highlight the hidden costs involved. These become increasingly relevant as they may push the effective interest rate high enough to make CP uncompetitive as regards bank credit. These costs include:

- The rating fees of Crisil, which will be around 0.1% of the CP issue plus an annual surveillance fee of 0.03% of the CP issue.
- Stamp fees. The Vaghul committee, which looked into their relevance, had recommended their abolition, but this has not been accepted by the RBI.
- The managing agency's fees for handling the issue.
- Commitment charges for institutions offering standby facilities to the issuer.
- Administration/registrars' charges for organising the CP certificates, transfers, repayment, etc.

In view of these factors, the costs may exceed the limit of 1% of the CP issue recommended by the Vaghul committee, and could possibly rise as high as 2% during tight money conditions. This means that effective interest rates may be much higher as one-time issue costs will be spread over the borrowing period of three to six months. To take an example, the effective interest cost for a CP with a 10% discount rate, a 1% issue cost and a three-month maturity period will be 14%. As a consequence, issuers of CPs will seek the longest possible maturities. Investors looking for short-term investments will, on the other hand, prefer CPs with the shortest possible maturities. Thus the secondary market will have to be activated so that long-dated CPs can pass from investor to investor within short periods of time.

Commercial paper (CP), an attractive instrument for raising working capital needs, has a long way to go before it can become a permanent feature of the Indian money market

But can a secondary market be developed all that easily? The RBI has indicated that CPs will be treated as negotiable instruments which can be traded before maturity. CPs, however, can be issued only 'to order' and not 'on bearer.' Thus, they will be transferable only on endorsement and delivery. Such transactions will normally be effected by bankers and/or brokers who will have to work on very thin discounting spreads.

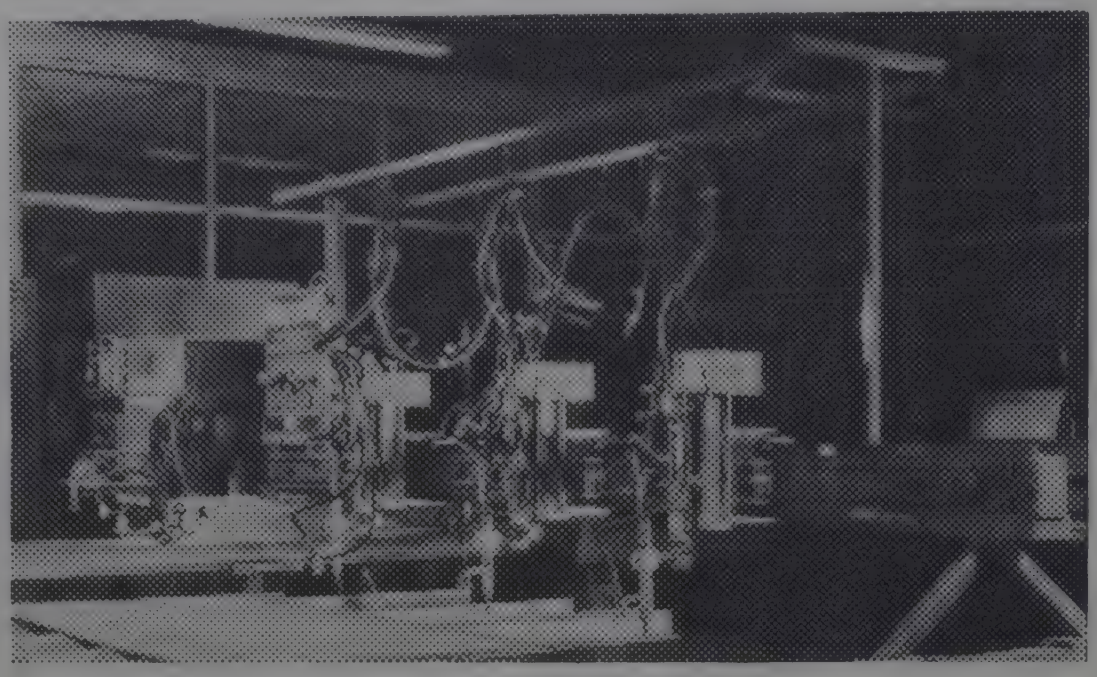
It is interesting to note that such a secondary market has not been developed anywhere in the world. It is thus unrealistic to expect its emergence immediately in India. It can develop only gradually as the overall market for call money, treasury bills and commercial bills matures.

Since CPs are unsecured short-term instruments, the RBI has initially restricted the field only to financially strong companies.Public sector companies may be able to raise funds through this instrument, but the present RBI guidelines do not allow them to do so.

Investors having short-term surpluses can buy CPs either from the primary market or the secondary one. The financial institutions and corporate bodies can park their funds in the CP market, but public sector corporations may not be able to make full use of the new instrument as they are restrained from lending to private sector companies under the existing regulations. Foreign banks will require approved lines of credit for the issuers to enable

IOL introduces CNC cutting in India

MAYUR SP FULL PORTAL CNC PROFILE CUTTING MACHINE.



The Mayur SP profile cutting machine can cut profiles of any length, in widths 1500 mm upwards.

The Mayur SP Full Portal CNC Profile Cutting Machine represents the state-of-art in mild steel profile cutting. Productivity, positional accuracy, plate economy and space saving—Mayur SP scores over any optical tracer machine on all these counts. What's more, being run on a user-friendly computerised numerical controller, it does away with templates or elaborate drawings.

User – friendly CNC

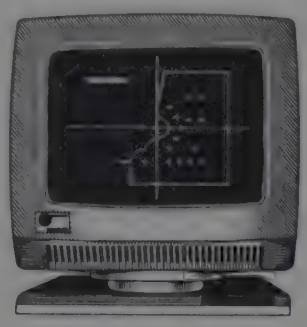
No more hassles with unwieldy templates or drawings. Programming is done easily through a dialogue format. Facilities such as MDI, Standard Shape, Teach-Trace, DNC and others available.

Higher Productivity

Since cutting operations are automatic through programmes, operator's involvement is minimal. This results in higher throughput.

Higher Positional Accuracy

As the Mayur CNC machine is not dependent on drawings or templates, input data accuracy is absolute, resulting in superior positional accuracy.



Excellent Plate Economy

IOL offers micro-FLAME part programming software which runs on IBM PC or compatibles. micro-FLAME ensures plate economy by efficient nesting and the cost of investment is recovered in short time by saving steel.

Superb Space Saving

The Mayur SP saves you precious shopfloor space compared to the optical tracer machine. Since you don't have to provide space for any drawings whatsoever.

The IOL Investment Protection

The Mayur SP is backed by IOL's free pre-sale consultation to help the customers optimise productivity in cutting of paltes.

Manufactured indigenously, Mayur SP is backed by IOL's quick after-sales network and prompt availability of spares at all machine locations. This ensures zero-trouble operations. What's more you don't have to worry about foreign exchange any more to enjoy the advantages of CNC cutting in India.

For details contact : Marketing Manager—Engineering Products

IOL **Indian Oxygen Limited**

P 43 Taratala Road, Calcutta 700 088

A member of The BOC Group

CLARION C-IOX-CM-1

them to buy the latters' CP. Interestingly, CPs will not come under the ambit of regulations for intercorporate borrowings and lendings. They will not be considered as fixed deposits.

CPs will have several accounting and tax implications, both for borrowers and lenders.

For the borrower, CPs will figure as unsecured loans in the balance-sheet at issue (discounted) value as their redemption at maturity will include the interest element. The issue costs will be written off in the profit and loss (P & L) account. The discount costs (face value minus issue value) will also be written off in the P & L account. The discount portion on the outstanding CPs (as on balance-sheet date) will be accounted proportionately-based on the discount value and period of issue. The principles of accrual accounting will be applicable here.

For the lender or investor, CPs can be shown as 'investments' in the balance-sheet at cost. At the year-end too, outstanding CPs can be shown at cost without considering the appreciation of the discount income. This is in order to maintain the conservative practice of accounting and not pencilling in unrealised gains.

The difference between the redemption value and the cost of a CP will be treated as capital gains and not as interest income. This is because CPs are discounted instruments which do not carry 'interest' as such. The procedure has been set by the example of treasury bills, where such differences are treated as capital gains under the Income Tax Act. The tax department may change its view based on revenue-loss considerations and amend the definition of 'interest,' but that is something which only time will tell.

For purposes of taxation, all costs pertaining to the CP issue (including discounting costs) will be treated as revenue costs for the borrowers and can be set off in the P & L account. For the lender, the earnings from the CP will be liable to short-term capital gains tax. Since income from CP will not be treated as interest income, there will be no tax deduction at source.

Overall, the advent of CPs could have the following implications:

■ A dampening effect on the intercorporate loans and bills discounting market. However, while borrowers may not want to substitute CPs for intercorporate borrowings (as their bank limits would be reduced), lenders will certainly prefer CPs. That's because CPs will discipline borrowers since defaults on CPs will harm their public image much more than if they default on intercorporate loans. Further, the lender can claim repayment from the borrower's banker who would enhance the drawing facility of the issuer following the redemption of the CP.

Though CPs may superficially bring down borrowing costs for the corporate sector, the hidden costs involved may make them uncompetitive vis-a-vis bank lending

■ Goad the corporate world to look very closely at cash flow management. This is because CPs present a ready opportunity to earn a reasonable return on temporary surplus funds and 'floats' lying with companies.

However, the popularity of CPs will depend on the ease and convenience with which funds can be raised. This is because the cost and effort of raising funds through CPs may not justify the difference in interest costs vis-a-vis bank borrowings.

The 'timing' factor is very critical to CP issues. Companies should be able to spot and plan CP issues well in order to avail themselves of the opportunities in the money market. If they do not, CPs will not become popular.

To create a secondary market, the Discount and Finance House of India (DFHI) has to evolve a proper *modus operandi* so as to ensure that it does not end up buying all CP issues. It is expected to quote two-way prices and work on a thin spread. This necessitates reasonably diverse holdings by the DFHI of CPs of different companies with varying maturities in order to cater to different investor groups.

The absence of renewal facilities for CPs means that every fresh issue will burden the company with additional time, effort and costs. This may make issuers indifferent to CPs since the latter only substitute a source of borrowing instead of acting as an additional source of borrowing. Most companies in India are always on the lookout for additional borrowings and their sensitivity to interest rates is not very high.

In sum, welcome as it is, this new financial instrument has a long way to go before it establishes itself as a permanent feature of the Indian money market.

■ *Jayesh Shah*

The author is a Bombay-based financial consultant

THE RBI FAVOURS THE STRONG





Even three years after
the Wright brothers made
the historic airplane flight,
people refused to believe that
man could actually fly!

In the Indian belting industr

It sounds strange, but is true. After the Wright brothers invented the world's first airplane and successfully flew it 92 times, the US Army and the patent authorities were still not prepared to accept it as a humanly possible feat!

And, look where the flying machine is taking man today!

"Times have changed. People adapt to innovations more easily nowadays," you might say.

Read on. And, you would be surprised.

A WRIGHT-BROTHERS-SYNDROME IN THE INDIAN BELTING INDUSTRY:

When Hilton entered the belting industry, just about any technology ruled as the best!

And then came the first nylon reinforced conveyor belt. From Hilton. In 1977. The result? In less than 3 years, the entire industry switched!

In 1975, Hilton exported V-belts to the USSR — something no one dreamt of, untii then! Soon, the industry's export to the USSR shot up to Rs.20 crore.

Next, the innovation was on polyester reinforced V-belts — another industry firs from Hilton. Today, all V-belts used in the organised sector are with polyester reinforcement.

That isn't all.

In 1986, Hilton brought home the state-of-the-art Raw Edge Cogged technology. From Arntz-Optibelt, W.Germany, which created a new generation Hilton Optiflex autobelt. It prov

it's a similar story. Today!

so dramatic in performance and
cost-saving, that in months it became India's
only autobelt to meet the quality approval of
all the new-generation LCVs, cars and
speeds as OE. A number of companies
have been trying to emulate Optiflex
autobelts. Unsuccessfully, though.

Then Optiflex also went on to become the
first state-of-the-art Raw Edge Cogged
autobelt to be exported from India!

The story continues. Today, Hilton's Raw
Edge Cogged technology has created the
most advanced Industrial V-belts. And,
they're proving to be way ahead in durability
as well as in energy and cost savings.

WHAT'S MORE, NOW HILTON HAS
ENTERED INTO COLLABORATION WITH
TRELLEBORG AB, SWEDEN, TO BRING
YOU THE WORLD FAMOUS KEVLAR BELTS
— ANOTHER FIRST IN THE COUNTRY!

It'll be no surprise if five years from now, all
steel-cord conveyor belt users shift to Kevlar

You're right. At Hilton, we think ahead. And,
do it first

HILTON®
Hilton Rubbers Limited

Hilton House,
S-23, Green Park Extn., New Delhi – 110 016.

We do it first.

Mudra:D:HRL 7341

India Steamship now heading for brighter horizons



Great Heritage

India Steamship Co. Ltd. (ISS), a K.K. Birla Group Company established in 1928, is a premier liner shipping company of India and one of the oldest members of India/UK-Continent Liner Conference. It currently has a fleet of 16 vessels, aggregating a tonnage of 2,61,181 DWT. The Company has made significant contribution in promoting the country's foreign trade through its dedicated service for over 60 years.

Nation's life-line

Shipping being the life-line of the Nation, the Government of India has accorded a very high priority to its growth. It has acquired a new dimension owing to the growing demands of international trade. To this end, the Government of India has accorded various incentives and concessions to accelerate the growth of Indian shipping.

High tide

After going through years of protracted international recession, there is a high tide in the affairs of ISS now. A momentous development has been that the Government of India has approved of the proposal submitted by the Company for restructuring its finances and revamping its fleet. Under the package, the Company has been granted extraordinary relief in interest liability by converting a substantial portion of the debt into interest-free loans. The Company is also being helped in modernising and expanding its fleet through acquisition of younger, fuel-efficient vessels. Besides, the merger of Ratnakar Shipping Co. Ltd., another K.K. Birla Group Company, with ISS would further strengthen and broad-base the fleet composition.

Smart turn-around

ISS has turned out spectacular working results for the year 1988-89. The Company made a record gross profit of Rs. 22.70-crores (before providing for depreciation) and a net profit of Rs. 11.61 crores. With an up-trend in Shipping, the Company is set for even higher profits in the coming years.

Rights Issue of 49,50,000 New Ordinary Shares of Rs. 10/- each for cash at par on 1 : 1 basis

It is time to ride the tide with ISS.

Issue Closes On 13th July, '89

Manager to the Issue

FINANCIAL ADVISORY SERVICES TEAM
THE SHIPPING CREDIT AND INVESTMENT COMPANY OF INDIA LIMITED,
Bombay

Bankers to the Issue

STATE BANK OF INDIA
MAIN BRANCH
1, Strand Road
Calcutta-700 001

INDIAN BANK
P & Brabourne Road
Calcutta 700 001



INDIA STEAMSHIP COMPANY LIMITED

Regd. Office : "INDIA STEAMSHIP HOUSE"
21, Old Court House Street
Calcutta : 700 001

Sobhagya (C)/ISS:2/89

PROFITS ABROAD

Banks tend to do better in their overseas operations than at home. This, at least, has been the experience of the Bank of India (BoI). M.M. Yardi, deputy general manager of the bank, recently admitted that most of its profits this year came from its foreign exchange transactions and foreign branches.

Explaining the reasons, Yardi said BoI could not charge high rates of interest on its domestic transactions because "as a nationalised bank, we have to discharge a social responsibility towards agriculturists and weaker sections."

Reviewing BoI's performance during the 15 months to March 1989, Yardi rued that the bank's social concerns were rarely remunerative. The experience with the slum improvement scheme, for instance, was disastrous, since "the entire amount borrowed had to be written off."

The growing popularity of BoI's Indiacard, launched last year, was a cause for optimism, he said. BoI has also launched a deposit-linked housing loan scheme which is doing well, he added.

SEBI'S MERCHANT BANKING GUIDELINES

The Securities and Exchange Board of India (Sebi) is cracking the whip over merchant bankers. It has come out with a scheme whose criteria merchant bankers will have to fulfil, to be authorised to manage equity issues of companies. Under the scheme merchant bankers will have to have a minimum net worth of Rs 1 crore. Only two bankers will be able to associate themselves with an issue as lead managers. The others, however, will have to call themselves co-managers.

The most important change Sebi has brought in is the responsibility that lead managers will have for the contents of issue prospectuses prepared by companies. From now on, according to Sebi's scheme, lead managers will have to be co-signatories to the prospectuses that companies release when making a public issue. This, Sebi hopes, will reduce the fantastic claims that companies often make in their prospectuses.

But with Sebi itself yet to get statutory status, how much weight will its word carry?

INSURING MUTUAL BENEFIT

When finance minister S.B. Chavan inaugurated the Life Insurance Corporation's (LIC) mutual fund on 19 June, it was a milestone of sorts. For the first time, a mutual fund scheme has been linked to life assurance.

LIC has set up a separate division to run the fund. Three schemes are said to be on the anvil, though the details and the size of the fund are still unknown. The schemes will reportedly be of the close-ended as well as the open-ended variety.

The scheme linked to the life-insurance cover is likely to get the maximum response, since LIC will offer a life cover for a target amount of saving done within a given time-frame. If the investor dies during the period, the nominee will be entitled to receive the target amount.

Several public sector financial institutions have flagged off mutual funds in recent times. The General Insurance Corporation, too, will launch a mutual fund before the end of this year.

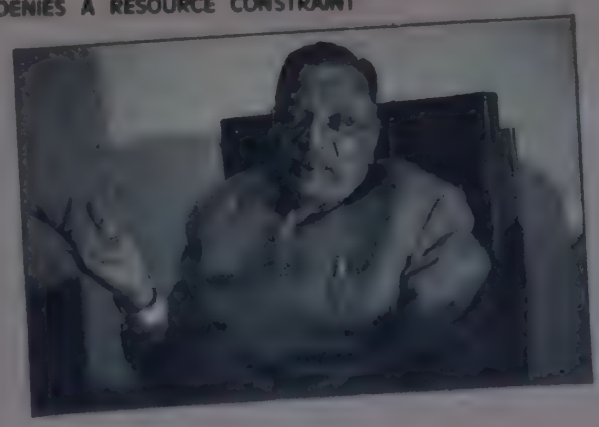
BANKING ON BIHAR

In keeping with the traditional function of development banking — promoting growth in relatively underdeveloped regions — the Industrial Development Bank of India (IDBI) recently hosted a seminar on the industrialisation of northern Bihar.

Speaking on the occasion, finance minister S.B. Chavan refuted the general impression that resource constraints impeded the industrialisation process. Funds were always available for viable projects, he emphasised.

The main findings of the seminar were that if agricultural productivity could be improved in the region, economic growth would get a much-needed fillip. Flood control and development of infrastructure have been identified as the keys to prosperity, and steps will soon be initiated to overcome these hurdles.

CHAVAN DENIES A RESOURCE CONSTRAINT



HONGKONG BANK'S NEW SCHEMES

Competition among foreign banks to woo the Indian depositor is hotting up. After Citibank's much publicised 'Un-fixed deposit,' Hongkong Bank has launched two new schemes — Freedom Finance and Smart Money Account.

Freedom Finance is a loan package that is targeted at middle-class depositors. This is essentially a personal assistance loan ranging from Rs 10,000-50,000, which "requires no guarantors, no securities and no questions to be answered regarding the purpose of the loan." The repayments are to be in equated monthly instalments over 36 months, with a discount for early repayment of outstanding instalments.

The Smart Money Account, the bank claims, "offers the customer the flexibility of operating this account like a saving banks," while deposits earn 5% more interest than is paid on savings deposits. To open such an account, one deposits at least Rs 10,000 for two years. However, 75% of the deposit can be withdrawn. The whole deposit earns interest of 10% per annum, while the depositor pays 12% interest on the amount withdrawn.

asci

ADMINISTRATIVE STAFF COLLEGE OF INDIA

announces the following programmes

SPARE PARTS MANAGEMENT
(September 4 to 9, 1989)

Eligibility: Senior Executives responsible for spare parts – involved in planning, provisioning, purchasing and maintenance. Parts Executives, Maintenance Managers, Service Engineers, Industrial Engineers, Planning Managers, Design Engineers, Inventory Managers, Materials Managers and Purchase Executives.

Course Director
Prof. P Gopalakrishnan

Last date for nomination
August 4, 1989

CASH MANAGEMENT AND WORKING CAPITAL CONTROL
(September 11 to 16, 1989)

Eligibility: Top/Senior Managers involved in formulation of financial policies and their implementation—— Treasurer, Credit Manager, Finance Manager, Controller, Chief, Director, etc.

Course Director
Prof. K K Swaminath

Last date for nomination
August 11, 1989

APPROACHES TO BUDGETING WITH FOCUS ON ZERO-BASE BUDGETING
(September 18 to 23, 1989)

Eligibility: Senior executives from public and private sector organisations and Government departments – Director of Finance, Financial Controller, Budget Controller, General Managers, Heads of Departments – Production, Personnel, Marketing and R&D; Joint Secretaries and Financial Advisers in Government.

Seminar Director
Dr. Mohinder N Kaura

Last date for nomination
August 18, 1989

PRODUCTION MANAGEMENT
(September 25 to October 7, 1989)

Eligibility: Senior Executives in Industry, Defence and Government - involved in functions, viz., Production, Materials, Maintenance, I.E., Quality, Purchase and Stores, Operations, Planning and Co-ordination.

Course Director
B S Chetty

Last date for nomination
August 25, 1989

EXPORT MARKETING AND TRADE DEVELOPMENT
(October 16 to 21, 1989)

Eligibility: Managers and Administrators of export promotion institutions or facilitating institutions at both State and National levels and also corporate managers involved with export marketing.

Programme Director
Prof. G G Ewari

Last date for nomination
September 16, 1989

Organisational sponsorship is essential

For brochures, nomination form and fee particulars, please write to:

Programmes Officer
Administrative Staff College of India
Bella Vista, Hyderabad-500 049
Phone: 36952/56 Extn: 247; Grams: BELLAVISTA; Telex: HYD 0425-6390

ASP/ASCI/8962

ASCI: The College for Practising Managers

ALL THE PM'S JIBES

A new brashness and cockiness is creeping into the prime minister's public pronouncements. Among other things, he has questioned the patriotism of leaders of the Bharativa Janata Party (BJP), suggested that they are communalists and cultivating feudal elements, made fun of N.T. Rama Rao in the crudest possible language and written off the Janata Dal as a party whose leaders cannot get together. He has uttered coarse lies about Ramakrishna Hegde and has generally been behaving as if the elections are a formality and that he will be a shoo-in. Clearly, he needs some basic education.

To begin with, anyone who charges the BJP leaders with lack of patriotism doesn't have much to commend him. The BJP is even more concerned with national security than Rajiv Gandhi and, for all one knows, should it ever come to power, it will go one better than the present prime minister in strengthening our external defences without getting involved in Bofors-like scandals. That the full report on Bofors has not yet been released is a standing indictment of Gandhi's credibility and ethical standards.

FEUDAL LINEAGE

Rajiv Gandhi is young; he was not even born when the Quit India movement erupted in 1942. And no one has accused him of being a student of history. If he would only take the trouble of analysing the nature of his grandfather's early appointments, he may learn to his dismay that Jawaharlal Nehru was no less feudal in his makeup for all his talk about socialism. Besides, the Nehru fortunes were not made by arguing cases in the small causes court. Motilal Nehru stood four-square for the very feudal elements that his great grandson now professes to decry.

And who is supporting communalists? The Bharatiya Janata Party? Does Rajiv Gandhi know that it was his respected mother who fostered the Shiv Sena and ordered her Bombay party unit to assist it in every possible way as a counter-balance to the communists who were then playing havoc in the trade union movement? But for the early support rendered to the Sena by the Congress, the latter would never have emerged as a power to reckon with. At that point in time, especially in the late sixties and early seventies, the Congress thought it was using the Sena to put down its enemies. The boot is now on the other foot.

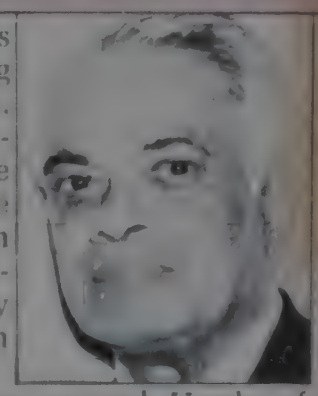
And then there is the Punjab question. Rajiv Gandhi has been criticising N.T. Rama Rao for his inability to put down the Naxalite menace. Considering that in four years Rajiv Gandhi has not been able to reduce terrorism in Punjab, this is a strange criticism. The latter can at least say that the Naxalite movement in his state pre-dates him and that none of the earlier Congress regimes have been able to do anything about it. But the more important issue is Punjab. If Rajiv Gandhi expects others to forget that it was his own mother, through Giani Zail Singh, who encouraged Jarnail Singh Bhindranwale in the initial stages, then he is due for a rude awakening.

In an astoundingly rabid speech in Andhra Pradesh, Rajiv Gandhi alleged that N.T. Rama Rao had cheated tribals by selling them rice at Rs 2 per kg when he should have sold it at Rs 1.80 and threatened to sell the rice directly through the Centre's own agencies to the tribals. Even the conservative *Economic Times* felt compelled to say that the prime minister's observations were "totally unwarranted and exceedingly undignified."

Rajiv Gandhi, in that same speech, went on to make fun of Rama Rao who is currently engaged in making a film on Vishwamitra by saying that while people were suffering "Vishwamitra was dancing with Menaka" — a cheap jibe unbecoming of a prime minister. In the first place, Rama Rao has promised that all profits flowing from the film would be used to help hospitals. In the second place, when Punjab was on fire, was it not the prime minister who was entertaining his foreign relatives first in the Andamans and later in the Maldives at public expense? Rama Rao is at least making his own money.

Rajiv Gandhi's bravado in running down others shows up his own lack of accomplishments. What he is exhibiting is not self-confidence but fear of defeat

In another thoughtless speech, the prime minister lashed out at Ramakrishna Hegde — another favourite target. He alleged that during Hegde's term as chief minister, Karnataka had become a deficit state. Apart from the fact that Hegde had the misfortune to be chief minister when his state had suffered from five consecutive years of drought, with what face can Rajiv Gandhi condemn Hegde when India's foreign debt stands at Rs 54,817 crores and banks have been permitted to write off Rs 750 crores as bad debts resulting from loan *melas* which, in truth, were Congress (I) loot *melas*? Whatever else may be said of Hegde, here is a man who walks about his state fearlessly. His house — even when he was the chief minister — was unguarded, whereas the State annually spends more than Rs 2.95 crores in protecting Rajiv Gandhi.



The prime minister has further accused Hegde of spending money on tomtomming his government's achievements. He certainly has done that; so does every chief minister of every state. But what Rajiv Gandhi has been doing is to misuse All India Radio and Doordarshan to criticise the Opposition. Hegde has not been guilty of that crime.

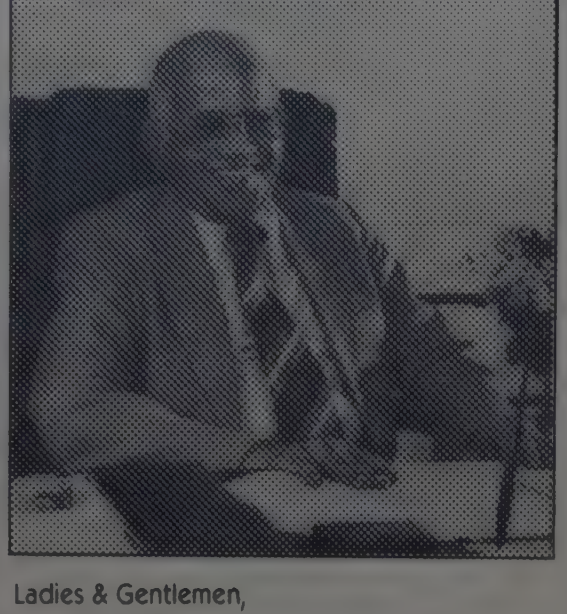
Rajiv Gandhi's bravado will not take him anywhere. The very fact that he feels the need to run down others shows that he has no accomplishments of his own to go by. What he is exhibiting is not self-confidence but fear of defeat. It is that fear which makes him run from pillar to post disgracing himself in the process. That is the truth

■ *M.V. Kamath*

The author is a former editor of The Illustrated Weekly of India

Speech delivered by Shri S N Pai Executive Chairman, Sakthi Finance Limited, to the shareholders at the Thirty Third Annual General Meeting of the Company held on June 3, 1989 at Coimbatore.

1988-89... A Tra



Ladies & Gentlemen,

It is a great pleasure meeting you all once again at this , the 33rd Annual General Meeting of your Company. I welcome heartily one and all of you, especially revered Dr. N. Mahalingam, the Chairman of our Group. It is extremely nice of him to be present here amongst us, amidst his multifarious activities.

Command Performance

The Report of the Directors and the audited accounts for the year ended March 1989—the 4th full year since the first Public Issue in late 1984—have already been circulated and with your permission, I shall take them as read. The Directors' Report and my letter of the 9th May have already highlighted the salient features of the working of the Company during the year. It could be seen therefrom that the Company had yet another year of command performance, climbing new peaks and setting many a record. Inspite of the very steep increase in the volume of work arising therefrom, the Company has been able to maintain its unmatched schedule of finalising the accounts, getting them approved and declaring dividends, in the shortest period conceivable.

Deposits—History Created

It gives me great pleasure to tell you that in the matter of mobilisation of public deposits, your Company has created history this year, in that it could secure a net addition of as much as Rs. 24.86 crores, which is far higher than that achieved by any Hire Purchase/Leasing Company in the country so far. The fresh mobilisation was as high as over Rs. 38.41 crores, renewals Rs. 20.30 crores and refunds Rs. 13.87 crores. That the Company could close the year with a balance of Rs. 68.05 crores, against a target of Rs. 70 crores fixed at the beginning of the year, tells yet another story. One more noteworthy feature is that the number of depositors has almost doubled itself to over 1,40,000 the highest amongst all the Companies. And all this inspite of the cut-throat competition prevailing in the industry. I cannot adequately thank so many of our depositors for the immense confidence reposed in the Company. I take this opportunity to once again assure them all that our excellent and exemplary service will continue with redoubled vigour.

Advances—Widely Spread

In the matter of advances too, the Company has done exceeding well, in that it could readily deploy all the funds available from time to time at quite remunerative rates. The total advances, consisting of Stock-on-Hire (Rs. 42.47) crores, Leased Assets (Rs. 31.07 crores) and other loans and advances had reached the high level of Rs. 81.25 crores, as against the opening figure of Rs. 53.61 crores. The Company has so far financed over 5,000 vehicles, providing employment to about a lakh of people. In the case of the company's pioneering venture of financing consumer durables, over 63,000 loans have so far been granted, benefiting a like number of families or over 3 lakh people. No other Company has spread its risks so widely.

Profitability

The gross earnings during the year have shown a marked increase to Rs. 19.84 crores (from Rs. 12.71 crores) and the net profit Rs. 4.12 crores (from Rs. 3.26 crores), reflecting a very satisfactory position. The earning per share of Rs. 10 has further gone up to Rs. 13.35 from Rs. 10.70 as on 31.3.88, both being the highest in the indusry, the next best being far lower.

Dividends—Another Record

Your Directors have recommende payment of a final dividend of 12% f year, making a total of 24% which is as in the previous year. With this, the investor, who invested Rs. 100/- at th of the Public Issue made in late 1984 now been paid cumulative dividends aggregating 110% in just 4 years, whic itself must be another record. The 10 dividend on the CCP Shares has also recommended. The dividend warrants almost ready and will be despatched the next few days.

Reserves—High Level

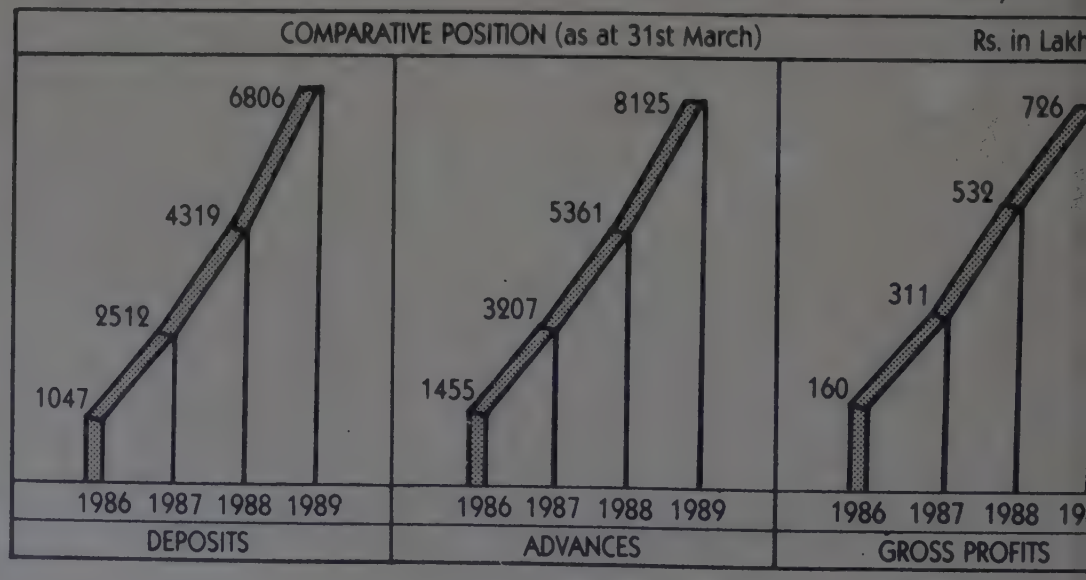
The Company has transferred an impressive Rs. 275 lakhs (Rs. 250 lakhs General Reserves, another Rs. 7 lakhs Investment Allowance Reserve and ca forward a surplus of Rs. 8.94 lakhs. Thu total Reserves and Surplus stand at a level of Rs. 749 lakhs, against a Paid-up Capital of Rs. 309 lakhs.

Branch Network Expansion

The Company opened 4 more Bran during the year, taking the total to 36 the country. Subsequently, 3 more Bra were opened, 2 at Madras and 1 in Bombay. It also commissioned 10 Safe Vaults (including 2 in Bombay) tak chain to 22 at present.

CCP Shares—Conversion To Equity

In 1986, the Company had issued 5 Convertible Cumulative Preference (CCP Shares of Rs. 100 each totalling Rs. 52.5 lakhs. These will be automatically conv into equity at par, at the rate of 10 Equ Shares of Rs. 10/- each for every CCP S



Blazing Performance

n 13th July, 1989. Those of you who are olding such Shares are requested to urrender the Certificates to the Company on r before that date, when new Certificates ill be sent in exchange.

erm Loan From UTI

The Company was amongst the first few ire Purchase/Leasing Companies in the ountry to be sanctioned a term loan of Rs. 3 rores, the maximum now permitted, by Unit rust of India. The loan is for financing hire urchase and lease transactions and carries n interest rate of 15% per annum and is epayable in quarterly instalments over the ext 5 years. Part of the amount has already een availed.

Similarly, the Company has been amongst he first to be sanctioned the ceiling amount f Rs. 5 crores last year by the Industrial evelopment Bank of India. This is obviously a lear reflection of the Company's sustained nd outstanding track record of performance ver the years and a recognition of its xceedingly high credit standing with the eading national term lending institutions.

Staff--Highly Motivated Team

Efforts to strengthen the staff at various evels continued during the year and I am appy to inform you that a strong team of ighly motivated executives has already been ssembled. Further, substantial progress has een made during the year in the matter of olstering your Company's infrastructural acilities, improving systems and procedures, sing checks and controls etc., all of hich, of course, is a continuous process. The nternal Audit and Inspection Dept. has also een further strengthened.

Extensive Computerisation

To help cope quickly and accurately with e exceptionally high growth rate achieved nd sustained over the last 4 years, and to nhance the customer service, your Company as set up extensive computerised facilities. A ank of modern mini-computer installations as been set up at Coimbatore, Madras, adurai and Bangalore to provide gionalised computer services, with further icro-computer installations at several entres. A team of qualified and experienced mputer professionals has also been sembled. Consequently, computerised ices today cover the Company's entire erations, viz. deposits, advances, accounts, roll accounting etc. More, the Company w issues to its depositors instant Deposit ceipts and post-dated Interest Warrants for e entire period of deposit within minutes of receipt of the remittances at the four centres mentioned above, to which will be added Bombay Branch shortly.

In-House Staff Training College

The Company, continuing its saga of many firsts in the industry, has begun setting up a SAKTHI FINANCE STAFF TRAINING COLLEGE at Coimbatore with the appointment of a Principal and some more personnel. Premises for running the College have also been acquired and other infrastructural facilities which are required are being organised. The College will be geared to run regular in-house training courses for various levels of employees from the clerical to the senior managerial cadres. Tailor-made programmes for the particular requirements of Finance Company personnel are being prepared for induction training as well as refresher training needs.

Diversification-Share Broking Services

In order to further broad-base the Company's activities and as a measure of significant diversification, the Company has also decided to extend its proven and excellent customer servicing strengths to cater to the growing needs for share broking services. Reliable and efficient service to assist the shareholders in upcountry locations in the country is a felt need of the community. The Company is well placed to service, this sector of the capital market through its network of 39 offices all over the country. Initially, it plans to act on the instructions of the investors wishing to either buy or sell stocks. This it can do at a much higher level of satisfaction to all clients as compared to the service now available to them and do this at a reasonable service charge. In course of time it could be expanded to cover Portfolio Management and Investment Counselling also, besides other Financial Services. Towards this end, the Company has taken steps to float a subsidiary Company, SAKTHI FINANCIAL SERVICES (COCHIN) PRIVATE LIMITED with its registered office at Ernakulam and the latter is seeking corporate membership of the Cochin Stock Exchange. Since the Government of India is encouraging the concept of multiple membership of the Stock Exchanges, this new Company has plans to get itself admitted into other Stock Exchanges at Madras, Bombay, Delhi, etc, in due course. This new Company will be able to draw on all the strengths, the infrastructure and the computerised facilities of Sakthi Finance Limited to assist in its own way the rapid expansion and development of the capital market, now already under way in the country

Socio-Economic Benefits

It is a matter of pride for me to report that in this short span of four years, your Company has made its due contribution to the socio-economic growth of the country. By financing goods worth over Rs. 110 crores, it has promoted employment, trade, commerce, etc., benefiting the community at large. Further, it is anticipated that the activities of the Company have directly benefited another nearly 5 lakh people. Your Company has contributed no less than Rs. 1.11 crores to the national exchequer by way of Corporate Income Tax during the last 2 years.

Current Prospects

The Company is looking forward to the current financial year with keen anticipation and is confident of turning out even better results. It looks at the new Reserve Bank of India regulations effective 1st April 1989, on the mobilisation of public deposits by Hire Purchase/Lease Companies from the earlier permitted period of between 6 months minimum and 3 years maximum to the present "over 2 years at the minimum to not more than 5 years at the maximum" as a tremendous market opportunity, which will work to its advantage. Accordingly, the Company has targeted to cross the Rs. 100 crore deposit mark in this year towards which, I am sure, all of you will contribute. If successful, your Company hopes to achieve a profit before tax of about Rs. 525 lakhs.

Acknowledgement

Ladies and Gentlemen, I would like to conclude by placing on record my very deep appreciation for the excellent services rendered and the cooperation extended by the officials of the Company. I also thank my colleagues on the Board for their wise counsel and guidance throughout the year. And last but not the least, I thank you all, shareholders, depositors, borrowers, bankers and financial institutions for the confidence continued to be reposed in the Company.

May God bless us all.

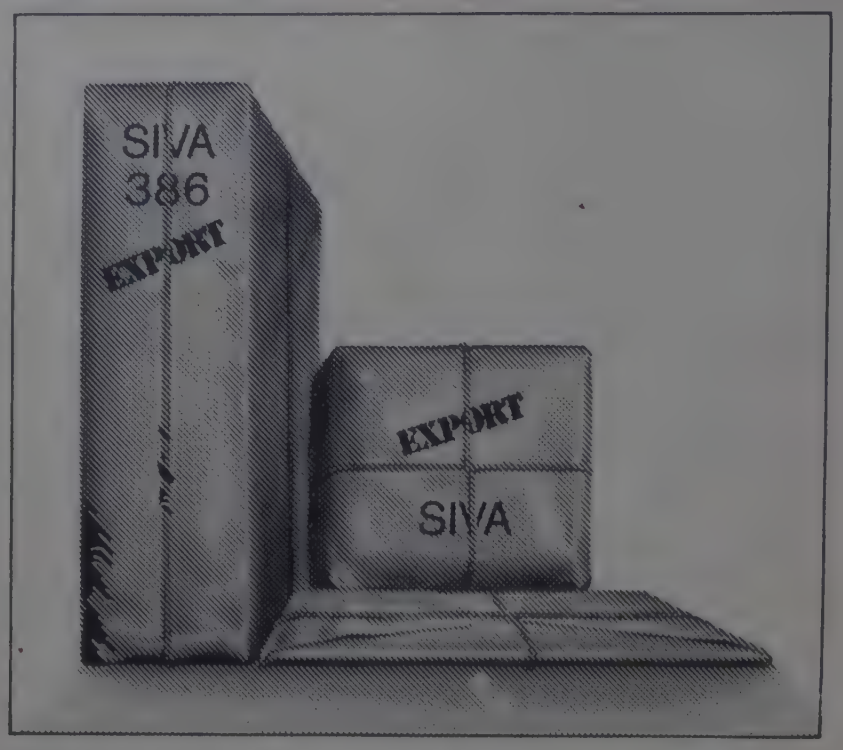
This does not purport to be a report of the proceedings of the Annual General Meeting

Interpub (M)/SFL/1/89

SAKTHI FINANCE LIMITED

SAKTHI FINANCE LTD

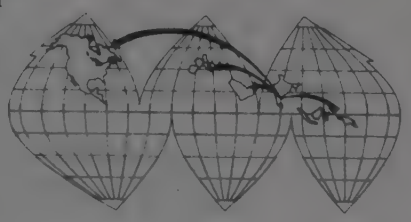
Regd. Office : 475, Dr. Nanjappa Road, Coimbatore - 641 018



While the world turns to USA for computer technology 30% of our computer system exports are directed at them.

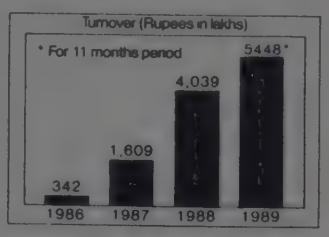
If you know Sterling you will know why.

After tremendous success on home ground, Sterling Computer's Siva PC has proved itself in USA. And in advanced markets of Hongkong, Singapore and Taiwan, among others. The company plans to further extend its operations to Australia and Western Europe. Thereby consolidating its export empire.



A growth of over 1500% in just 3 years

As one of the fastest growing computer companies in the country, Sterling Computers is growing more than thrice as fast as the Indian computer industry. The company's turnover has increased from Rs.3.42 crores in 1985-86, to Rs.54.48 crores in 1988-89 (11 months). Thus reaping sizeable profits.



An Assured Market

Sterling Computer's success story commenced with the introduction of the revolutionary Siva IBM* compatible PC in 1985. The most cost effective PC of world standard available to Indian markets. Today 26% of the company's production is bought by Original Equipment Manufacturers (OEMs). And 44% through dealers and direct sales. Establishing wider brand presence in the PC market. Thereby ensuring steady returns.

IBM PC/PC XT/PC AT are all registered trademarks of International Business Machines Inc.

Backed by proven performance

Sterling Computers, the flagship company of the Sterling Group, is promoted by dynamic entrepreneurial skills. Today the company enjoys the No.1 position in the competitive PC market. An impressive market share of about 12%, in addition to a list of industry firsts to its credit. The innovative PC service clinics. The choice of computer optional features, offered by others, as standards. And hardware with free software support. Among others.

A Sterling Future

As the company marches into the future, it has exciting new products in store. Laptop computers, PC FAX machines and Local Area Networks. Products catering to a growing market. Translating into high returns. Which you can share.



£

Sterling Computers Limited

The future is ours

Regd. Office: 19, Cathedral Garden Road, Nungambakkam, Madras 600 034 INDIA. Tel: 869207/869208/869062
Telex: 041-8766 SIVA IN. FAX: 044-867653
Mktg. Office: Madras 866536/42/45, Bombay 2022711
Delhi 6463236, Bangalore 234007

Mudra:M:SCL:3700

ONE MORE DATABASE

Data is something of which there is no lack of in this country. In fact, though reliable data is sadly not available, the sheer volume of figures on call can fill tomes.

Marketing planning is always done by referring to three different sources (with three different figures!) to arrive at an average figure to start from. R.K. Swamy's *Guide to Market Planning* is the third source from advertising agencies, the earlier two data sources being the Thompson and Clarion books.

If the purpose of the R.K. Swamy guide is to give planners absolutely reliable numbers, it is not doing much. The guide is classified with districts as the unit. The potential of a district is calculated and its MPV (market potential value) arrived at.

This is a bit of a surprise. If one considers all the planning that is done (in marketing and sales), it is fairly evident that plans are city/town-based, region-based, state-based or zone-based. All sales planning is town-led. It would be rare for a sales manager to ask his salesman for the sales in his district. Sales coverage is town-led. Advertising and local promotion is again town/city-based or state-based.

There are very few companies which operate with the district as a unit. Pond's regrouped its distribution in late 1986/early 1987 to have redistribution stockists districtwise. The degree of success achieved by Pond's is not known. So, why go districtwise?

The logic is explained in the introduction to the guide. "In the marketplace, correspondingly, small towns and rural outlets were responding to the new demand by drawing upon formal and informal wholesale apparatus which serve as a chain from the larger towns to the hinterland. Urban and rural markets were merging into a unified whole and composite marketing was becoming a functional reality. Clearly, there was a need for a new database, a new approach to thinking about marketing geography.

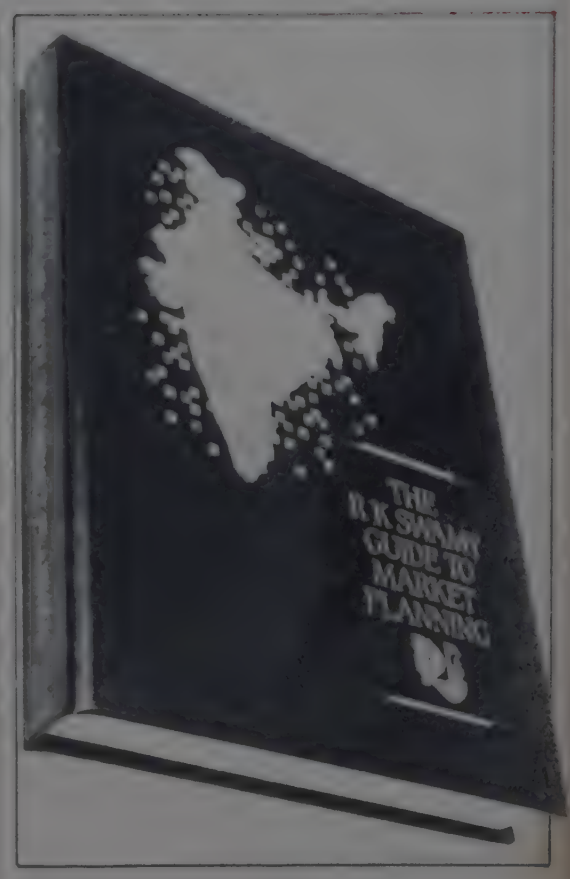
"Around this time, while doing an in-depth study of rural India, we came across a wealth of statistics at the district level, scattered and largely unused. We saw this information as a pointer to a door where, till then, we had only seen a wall."

Rural focus. Well, so far, so good. If the whole idea is to be better focussed on rural consumption, etc., one should look at the products which have substantial rural penetration. In consumer non-durables, tea, batteries, match boxes, popular soaps, washing soaps and beedis come to mind. In consumer durables, bicycles, torchlights, kerosene stoves and transistors would figure. The products which really have a rural bias include pesticides, fertilisers, farm equipment, tractors, pumpsets and generators, among other things. The big chunk of the consumer non-durables as well as consumer durables markets is urban and the dividing line between urban consumption and rural consumption is fairly clear.

One area the three guides, including R.K. Swamy's, have not addressed is the estimation of target group size. While the estimation of product market size may not be much of a problem for mainline consumer products (as the top 200 towns would give you a good estimate), it could be a key issue for problem-solution products or new technology products. Marketers will necessarily have to fall back on market research surveys. Using the guides will not help.

The MPV in R.K. Swamy's guide is based on 10 sensitive parameters on a per capita consumption basis. Translated into lay language, population is the common base for all parameters considered.

Old data. The data presented (in many cases) is old. *Population* is based on 1981 census data. This throws up a very disturbing question. Different cities have been having different population growth figures. Since 1981, Delhi and Bangalore have grown at less than 6%, Bombay, Madras and Calcutta at less than 4%. So, how has the guide tackled this? *Trade* data is based on 1982 sources. *Bank* data (deposits, credit) is 1986 based. *Automobile population* is 1983 based. The *khadi & village industries* figures are 1986 based. *Post office* data (for direct mail?) and *media* exposure are also 1986 based. It is not clear whether the MPV of districts has been calculated taking one base



year for all these parameters. Of all the data presented, media exposure seems to be the most useful. This data can be used to arrive at ballpark figures for advertising and media selection.

In spite of these problems (which are there even in the Thompson and Clarion guides), the R.K.Swamy guide is another source of data in a country where relevant data is scarce. Priced at Rs 2,000, it costs much more than the Thompson and Clarion books. Why? The production values and the layout are pleasing to the eye and, as a reference book, it is better compiled.

There is, however, one point to be made. It is surprising to note that it is ad agencies that come up with such documentation. Somehow, there is a question of credibility involved here. Today, marketing professionals question ORG data that is gathered painstakingly month after month. When the credibility of ORG itself is low, how high can the credibility of these guides be?

But, as stated before, in a situation where reliable data is scarce and online data rare, every source is welcome. The R.K. Swamy guide is thus a useful addition.

■ *D Shivakumar*

TINPLATE: WASTE WASTE SCAM

Unethical tinplate fabricators are earning a cool Rs 10 lakhs a day by substituting waste waste for tinplate prime, while an unconcerned government ignores the scam

No, it's not the printer's devil at work in the heading above. For reasons rather obscure, tinplate which turns out after manufacture to have imperfections beyond tolerance limits in size, temper, thickness or coating, is classified as waste waste (w/w) in terms of an ISI specification (IS:10340/82).

As per the standards laid down, the use of w/w is strictly restricted to the packaging of non-edibles — typically, tin cans made out of w/w are used to pack items like shoe polish or paint. Or else, tinplate w/w is used to line the interiors of tea chests. But in recent times, waste waste is playing a stellar role in the perpetration of an amazing scam on consumers.

Aided and abetted by an unconcerned government which insists that free imports of w/w should be allowed under open general licence (OGL), irresponsible container manufacturers are merrily importing containerloads of tinplate rejects. In the first nine months (April-December) of financial year 1988-89, the latest for which estimates are available, India imported 108,000 tonnes of w/w. Alarmingly, an independent market survey of end-users by the Steel Authority of India Ltd. reveals that the present demand level for w/w does not exceed 39,000 tonnes per annum (tpa) — or 30,000 tonnes in a nine-month period.

Question: what is happening to this enormous extra quantity of tinplate w/w being brought into the country?

POCKETING A BONANZA

There can be only one logical answer to this query: profiteering can fabricators are substituting tinplate prime by w/w and thereby pocketing a bonanza. The Indian Tinplate Manufacturers' Association (ITMA) has pointed this out unequivocally and repeatedly in numerous memoranda to the Union government: "By allowing tinplate w/w to be imported under OGL, its imports in the country are very much in excess of the actual requirement, thus allowing container manufacturers to surreptitiously substitute prime tinplate (with w/w)." Again: "It is clear that the intention of the fabricators to (sic) import more w/w than the actual demand is mainly to substitute the use of tinplate prime by w/w with a view to achieving cost effectiveness at the cost of quality."

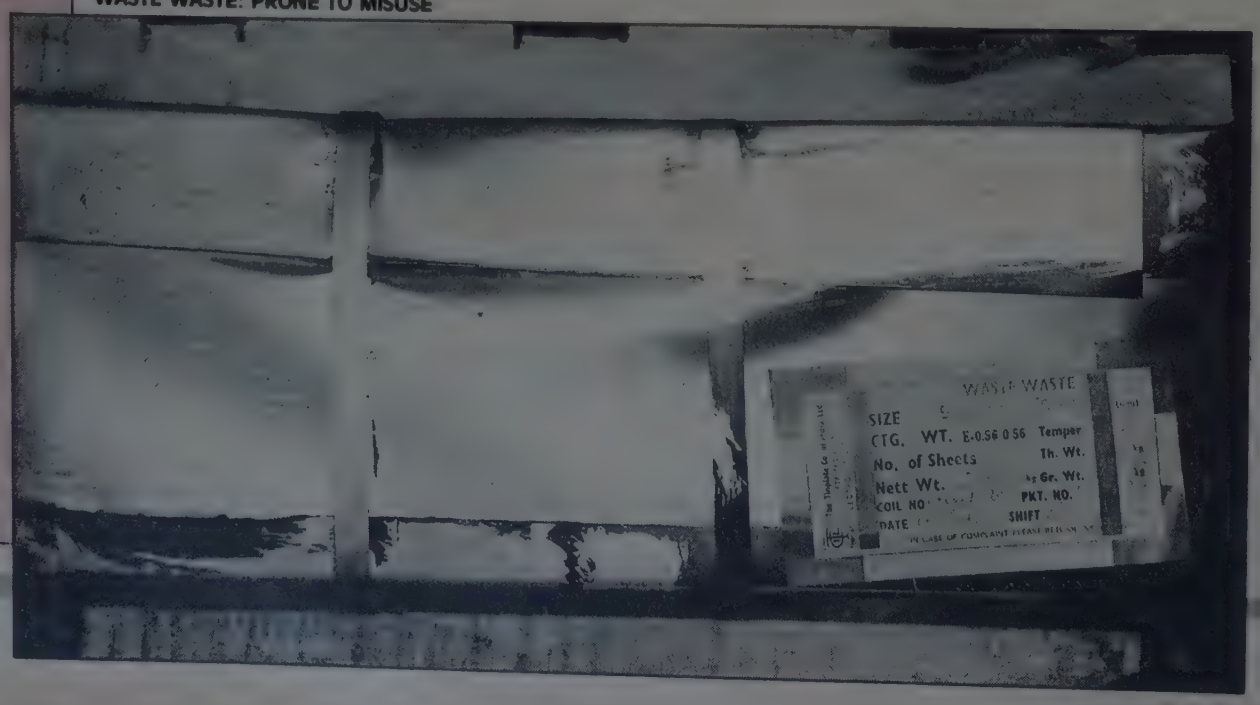
For the common citizen who pays good money to buy his processed food requirements (babyfood, juices, edible oil and so on) in either tin cans or crown-corked bottles, this scam is fraught with potential health hazards:

- Inadequate tin coating can cause toxicities which could be fatal.
- Imperfections such as subliminal rust patches, excess chromium coating or improper lacquering can cause contamination in containers which otherwise seem perfectly in order on visual inspection.
- Deficiencies in temper or thickness — again, lay inspection reveals neither — can drastically reduce the shelf life of canned edibles.

Not for nothing, w/w usage for packing consumer edibles is prohibited.

Obviously, by taking unsuspecting end-users for a ride, fabricators can add richly to the bulge in their wallets. Over the past several months, the price of imported tin mill black plate (TMBP) coil — from which tinplate is made — has gone up sharply from around $450 per tonne to $675. The price of imported w/w is around $550 today. A quick calculation shows that if 10,000 tonnes of prime tinplate are being substituted by w/w every month, fabricators are pocketing a cool million rupees each day.

WASTE WASTE: PRONE TO MISUSE





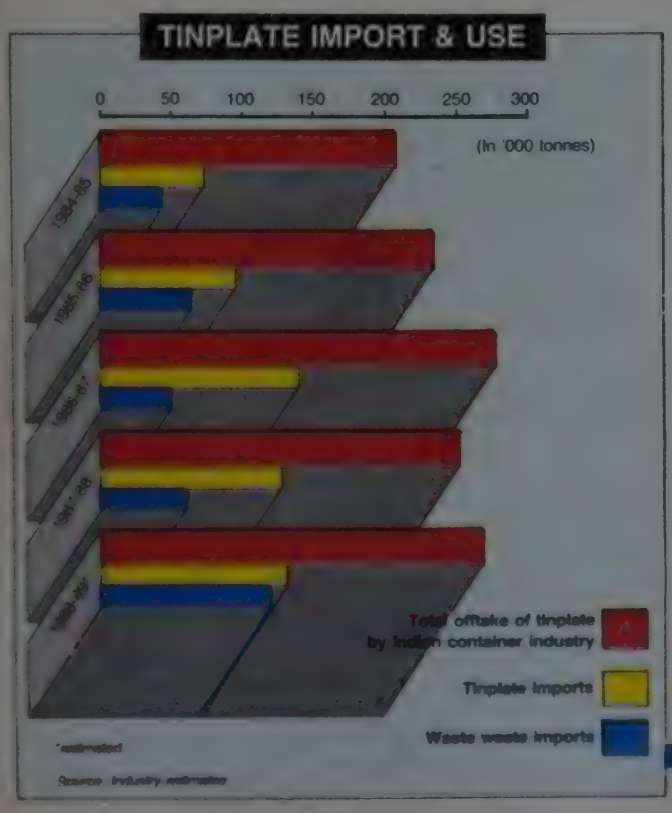
But making hay, as the adage goes, depends on sunshine. In this case, the benign originator of the latter is none other than the government, allege industry insiders. Here's how: TMBP is a wholly imported commodity, whose import is canalised through the Minerals & Metals Trading Corporation. Logically, to meet the annual demand for tinplate varying between 250,000 and 270,000 tonnes, an equal quantity of TMBP coils ought to be imported. (One tonne of TMBP gives 1.006 tonnes of tinplate.)

The catch is that government has never allowed imports of the entire requisite quantum of TMBP. This is despite the fact that India's three TMBP processors who can manufacture tinplate have an aggregate capacity which can handle 270,000 tonnes of TMBP quite comfortably: Rourkela Steel Plant (150,000 tpa), Tinplate Co. of India (90,000 tpa) and K.R. Steel Union (60,000 tpa). Instead, about half a dozen importers between them bring into the country 130,000-140,000 tonnes of the finished product, i.e. tinplate, each year (see chart).

As a result, no tinplate maker operates at a capacity of more than 55%. "It is imperative that processors are allowed to import TMBP upto the respective capacities of their plants. If there is to be any outgo of foreign exchange, it should be for the raw material and not for the processing cost," pleads ITMA chairman R.N. Sharma who is the incumbent managing director of Tinplate Co.

Sharma explains that given adequate availability of TMBP, indigenous processors can fully meet the entire demand of the container manufacturing industry. "All direct imports of tinplate by container manufacturers should be banned," he says. As of now, neither the fabricators nor the government is listening, though.

Despite ITMA's repeated pleas to the latter that they book their demands with any of the three tinplate manufacturers so that TMBP coil could be processed within the country, there has been little response. Since there are no volunteers, Sharma argues that only an outright ban will "put a control on the situation."



BAN NECESSITATED

Naturally, the ban must cover both tinplate prime and w/w. "ITMA strongly feels that the government should ban the import of all sub-standard materials which now come in under one garb or the other. Unfortunately, instead of banning w/w, it was moved from the restricted category to OGL."

Incidentally, Sharma points out that if indigenous manufacturers are allowed to get all the TMBP they need to meet the domestic demand, in turn enough w/w will be generated within the country for use in second grade packaging of non-edibles.

In the long term, of course, the only solution lies in India making its own TMBP. Indeed, a 100,000 tpa line for TMBP manufacture is being installed at the Bokaro steel plant right now; hopefully, Rourkela will get its TMBP supplies from Bokaro before very long. Sharma's Tinplate Co., too, has blueprinted a Rs 135 crore capital investment plan for new processing lines which will use hot rolled sheets — soon to be made by neighbour Tata Steel's hot strip mill — as raw material for rolling out 150,000 tpa of TMBP. "After four years, India should be in a position to export tinplate," predicts Sharma.

Which means that sooner or later, the bonanza is slated to peter out for the league of let's-get-richer-by-a-million-a-day can fabricators. In the meanwhile, the only way their unholy entrepreneurship can be guillotined is if the government steps in with decisive action aimed at safeguarding the consumers' interests.

■ *Sujoy Gupta*

"The government should ban the import of all sub-standard materials which now come in under one garb or the other"

R.N. Sharma
MD, Tinplate Co. of India



New York

Any Bengali living here probably reads
Prabasi Anandabazar every week.

Prabasi Anandabazar was created exclusively
for the Bengalis living abroad.
Every week, we lead our readers to places of great interest.
We give them a complete package of news and features.
With topics ranging from politics to recipes; from
beauty-tips and fashion to literature and sport.
Thirty two pages with offset-printing clarity—
including eight pages in sparkling colour.
We sell the kind of quality that's tried and true.
We give advertisers an exclusive, affluent clientele
and a perfect environment.

Prabasi Anandabazar: The international weekly from The Ananda Bazar Group of Publications.

প্রবাসী আনন্দবাজার

TIT FOR TAT

The phenomenal rise in OWM group shares has not a little to do with oneupmanship. And the rivalry between Abhey Oswal and the other Oswals has a non-business dimension that flows from their common Jain roots. A Jain convention dictates that the biggest donor to the religious cause gets the honour of having the "jhoola," (a kind of cradle for carrying religious icons) sent to his place first during the annual festivities.

Abhey upstaged his cousins. At a public meeting held last year to organise donations for building a Jain temple on the Grand Trunk Road at Ludhiana, Abhey's wife announced a giveaway of a stupendous Rs 1 crore, putting to shame the couple of lakhs offered by the other Oswals.

Piqued, the OWM group Oswals decided that they would show Abhey his place on his own turf: the stockmarket. And they have. Compared to Oswal Agro's current share price of a meagre Rs 75 (on 22 June), Nahar Spinning share was a phenomenal Rs 305. No one has any doubt that the latter's high price was achieved unaided by insider support.

Bull for the OWM group.

group executive: "Our group has been exporting to Russia for years and Jawahar Lal (eldest son of OWM group patriarch Vidyasagar Oswal) has excellent contacts there." Quite. Just before the recent public issue of Oswal Fats, Jawahar Lal made a trip to the USSR and returned laden with export orders valued at Rs 2 crores. By the time the issue opened (in February, 1989) the order book looked even fatter : Rs 10 crores worth.

The Vardhman branch of the Oswal family took a different route to success. Group company Mahavir Spinning has been profitable because of a deliberate change in the product-mix. In 1986-87, the company decided to manufacture more sewing thread rather than just plain and simple yarn. Explains S.P. Oswal, chairman: "We found thread to have more potential and margins were also higher in this area. Although we were up against Madura Coats (the main competitor), we learnt and managed to build up a market." Sewing thread contributed to Rs 30 crores in a turnover of Rs 112 crores in 1988-89; this year the contribution could cross Rs 40 crores.

SOLID REASONS

While there may be solid reasons for this revival of fortunes in the Oswal groups, what seems uncanny is the way almost all of them (except the Vardhman group) are entering the capital market around the same time. While the rights issues of Malwa Cotton and Punjab Woolcombers ended recently, the issue of Adinath Textiles is underway and those of Nahar Spinning and Punjab Concast just round the corner. Says a Delhi stockbroker: "The various Oswal groups are all trying to ride the bullish wave to command as much premium (for their share issues) as possible."

Oswal Fats, which entered the capital market for the first time early this year, made the first conversion of its convertible debentures into equity at a premium of Rs 15. As soon as it was quoted on the Ludhiana stock exchange (LSE), the share went through the roof, to touch a stratospheric Rs 165 (face value: Rs 10). The cooling of ardours on the LSE in general (see Economy & Business, p. 23) has since brought share values to saner levels, but there is little doubt that the Oswals are trying to harness favourable winds to garner money from the public.

We are much more conservative and sticking to the businesses we know

Jawahar Lal
Chairman
OWM group

THE OSWAL GROUPS

(Rs crores)

	Oswal Woollen	Punjab Concast	Punjab Woolcombers	Malwa Cotton	Nahar Spinning	Shreyans Paper	Adinath Textiles	Mahavir Spinning	Vardhman Spinning
Year	87-88 (a)	87-88 (a)	87-88 (a)	87-88 (a)	87-88 (a)	86-87 (b)	87-88 (c)	87-88 (d)	87-88 (e)
Share capital	0.30	1.18	0.70	3.31	0.99	2.05	0.50	4.93	3.04
Reserves	14.98	8.02	4.35	11.76	5.95	1.34	1.42	20.78	25.83
Turnover	119.87	57.67	15.34	45.51	30.65	10.36	10.95	72.50	132.87
Interest	2.79	1.24	0.99	1.48	0.76	0.49	0.41	1.86	4.42
Gross profit	3.94	5.37	1.90	6.54	3.47	1.32	0.75	10.44	17.76
Depreciation	1.37	1.52	0.47	1.63	0.36	1.05	0.28	2.23	4.20
Profit before tax	2.57	3.85	1.43	4.91	3.11	0.27	0.47	8.21	13.56

(a) year ended June. (b) year ended April. (c) year ended May. (d) year ended March. (e) 18-month year ended June

Source Balance sheets

It is a slight change in (the Oswals' attitude) ... getting money from the public is good, if you can service the equity

S.P. Oswal

chairman, Vardhman group

Explains S.P.Oswal: "It is a slight change in attitude. After all, getting money from the public is good if you can service the equity." Adds Kamal Oswal, "Till now we were using internal resources to modernise and expand. The idea was to stabilise existing operations and then come to the public." Jawahar Lal, however, sees nothing new in the trend and points out that the OWM group was one of the first in north India to go public way back in the sixties, when "my father Vidyasagar wanted a public limited company rather than a privately-owned one."

However, a close look indicates that the shift in attitudes is substantial. From *purdah* to the public eye. From conservative spending tendencies to splurges on advertising half-yearly results (as in the case of Malwa Cotton and Mahavir Spinning). From silence about performance to screaming about achievements (as in the case of Nahar Spinning, Adinath Textiles and Punjab Concast).

The reasons are not far to seek. The OWM group has seen a change of guard. From Vidyasagar, who started it all, it is now the turn of the third generation Oswals — young, aggressive, bold and ambitious — to take over the reins. Take Kamal Oswal, who heads Oswal Fats and Punjab Concast. Or Dinesh Oswal of Nahar Spinning. The old guard, Jawahar Lal and Jangi Lal, have also changed, but still talk about being conservative. Only the Vardhman group seems to be still cagey about going public.

COURT WRANGLES

In case of the Shreyans group (i.e. Adinath group), the reason for the change in attitudes has to do with a bitter partition. When D.K. Oswal broke with his two brothers (S.P. Oswal and Ashok Oswal) in 1986, the resulting court wrangle left him with only two small units, Adinath Textiles and Shreyans Paper, each with a turnover of Rs 10 crores in 1986-87. Hence the urge to grow big and fast. When he took over, both the units had only old, second-hand plants. If he had

THE GROWTH TRAIL

Slowly, but steadily, the other Oswal groups are vying for a place in the sun. They are busy thinking up expansion and diversification plans to grow out of their small-town roots. Given below are some of the plans of the major companies in each group.

OWM GROUP

Malwa Cotton, the third largest company in the OWM group, manufactures cotton and acrylic yarns along with small quantities of viscose yarn. The company has been searching for ways of diversifying into synthetic and blended yarns.

As a first step, it has increased its spindleage by 4,320 to 34,720 units at Ludhiana. In 1986-87, it was granted a letter of intent to install 12,480 spindles to produce yarn from man-made fibres in Himachal Pradesh. The first phase (7,680 spindles) was implemented the next year at a cost of Rs 4.5 crores, after which the second phase was taken up.

The company has applied for letters of intent to augment capacities at its units in Barnala and Paonta Sahib (both in Punjab) by a further 13,744 and 12,520 spindles respectively.

Nahar Spinning, a 100% export-oriented unit (EOU) started in 1982, went public in 1985 and became a government-recognised trading house in 1988. Exports of cotton knitwear, scarves and other items went up from Rs 1 crore in 1983-84 to Rs 29 crores in 1988-89 (nine months), and the total is expected to cross Rs 100 crores in 1990-91.

The company has decided to replace its entire complement of 2,400 spindles with high-speed spinning machinery at a cost of Rs 5 crores. In addition, the existing facilities are being modernised at a cost of Rs 3 crores.

Its future plans include the setting up of another 100% EOU in Noida (Uttar Pradesh) for the production of jeans, shirts and women's fashionwear. An agreement has been reached for exporting these readymades to the USSR. The installed capacity of the unit will be 1.5 million pieces per annum and is scheduled to commence production this month (July). Being set up at a cost of Rs 4 crores, the EOU will be exporting garments worth Rs 30 crores in 1990-91.

Punjab Concast Steels Ltd. produces special steel, rolled products and mild steel. A Rs 40-crore modernisation and expansion programme has been drawn up which will, *inter alia*, involve the setting up of a modern 30-tonne electric arc furnace to double the capacity to 2 lakh tonnes per annum (tpa).

The company also intends to manufacture sponge iron. It is hoping to tie up with a state industrial corporation that already holds a letter of intent for this.

Punjab Woolcombers, engaged in the production of woollen worsted yarn and wool tops, has decided to venture into synthetic yarns. A plan to add 2,000 spindles to the existing 6,000, and install balancing equipment in the woolcombing division is nearing completion.

A new company, **Oswal Foods Ltd.**, has been promoted to set up a 100 tonnes per day (tpd) vanaspati plant in Uttar Pradesh. The estimated cost of the project is Rs 11.60 crores. If run at full capacity, its turnover could touch Rs 100 crores.

Oswal Leasing has till now been the 'Kumbhakarna' of the OWM group. But the sleeping pygmy has suddenly awoken and its Rs 10 share recently touched Rs 74 on rumours of



DINESH OSWAL LED THE EXPORT THRUST AT NAHAR SPINNING

There has been a substantial shift in attitudes among the Ludhiana Oswals. From purdah to the public eye, from conservative spending to advertising splurges, from silence to screaming about achievements

to grow, and grow fast, new plants had to be added, old ones had to be modernised and money was needed. The booming capital market beckoned.

In fact, an interesting sidelight of the 'conservative' nature of the OWM group is provided by a close analysis of the older annual reports of Nahar Spinning, Oswal Woollen Mills and Punjab Woolcombers. In the era preceding 1985-86, profits were depressed, apparently by design. In fact, in sharp contrast to Abhey Oswal's strategy of showing

its revival. The management wants to put up a yarn unit with a 25,000 spindles capacity. Besides, Oswal Leasing may also promote **Manipur Vanaspati Ltd.** for which a Manipur state corporation already holds a letter of intent.

THE VARDHMAN GROUP

Mahavir Spinning has plans on the anvil to implement a Rs 65 crore modernisation and expansion programme shortly. This includes: (a) a Rs 20 crore plan for a 100% EOU (cotton spinning) in Mandideep (Madhya Pradesh) with a spindleage of 25,000; (b) a Rs 25 crore proposal for the modernisation and expansion of its steel division to increase the capacity to 1.25 lakh tpa from the present 50,000 tpa and change the product-mix in favour of alloy steel; and (c) a Rs 20 crore investment to raise the capacity of the existing unit at Ludhiana by 25,000 spindles.

Another project — which is still on the drawing board — involves putting up a 12,000-tonne capacity unit to manufacture polypropylene/filament yarn. According to S.P. Oswal, chairman and managing director, "the company is taking steps to implement this project in the joint sector."

The company currently produces cotton and acrylic yarn as well as sewing threads. Last year (1987-88) Mahavir Spinning merged an ailing group company, Mohta Industries, with itself. This could lead to tax savings for Mahavir Spinning and reduce its overdependence on textiles. (Mohta Industries is becoming the steel division of the company following the merger and it is this unit that is being modernised at a cost of Rs 25 crores.)

Vardhman Spinning, from which the group gets its name, has the most modern cotton spinning unit in the country. A glance at the company's annual report proves that the management has been spending around Rs 5-6 crores every year to modernise and expand its units. Over the past three years, Rs15 crores have been spent for the purpose.

The company's major diversification is coming in the form of a 100% EOU with 6,000 spindles for producing worsted yarn at Mandideep. Another area of interest is a weaving house with 300 powerlooms. Only 100 looms are to be put up initially; the rest will come up gradually.

ADINATH GROUP

Adinath Textiles currently produces worsted yarn and plans to invest Rs 13.50 crores to add 6,000 spindles to its present total. At full capacity utilisation, this will enable the company to treble the turnover to around Rs 30 crores. The company does a lot of job-work for outside parties. While in-house production of yarn is increasing each year, a major chunk of profits has usually come from job-work.

Shreyans Paper Mill (the group is also called the Shreyans group) had a good year in 1988-89. Production of quality writing and printing paper worked out to well over 100% of installed capacity (13,500 tonnes vs. installed capacity of 10,000 tonnes). During the year, Rs 2.5 crores was spent to increase the capacity by 2,500 tonnes. Additionally, a Rs 4 crore plan has been drawn for 1989-90 to raise the capacity further to 20,000 tonnes.

OSWAL SPG. GROUP

The flagship **Oswal Spinning & Weaving Co. Ltd.** was a closely held one till it went public in 1987. The company's scrip is currently being quoted at Rs 13 on the Bombay stock exchange.

The operations in the year ended March 1988 resulted in a turnover of Rs 28 crores, but the company reported a net loss of Rs 3.4 lakhs. The group also has a couple of smaller units like **Oswal Steel**, but these are not doing too well.



Everybody's style of functioning is different

D.K. Oswal

chairman, Adinath group

high trading profits (see *BW* Business Feature, 21 June-4 July, 1989), the OWM companies' trading activities showed either a loss or a marginal profit. In that period, trading was primarily indulged in to boost turnover and not profits. Over one-third of the total turnover of Oswal Woollen Mills (a closely-held company) was accounted for by traded goods. The trading profits, though difficult to guess correctly in view of the complicated nature of intra-group sales, were less than 2% on the cost of goods purchased.

In 1985-86, Nahar Spinning purchased Mohair scarves at a unit price of Rs 74. This was sold by the export division at a price of Rs 45 per piece. Not the kind of thing one would expect from a group of canny traders.

The Punjab Woolcombers case is even more interesting. In 1985-86, the company purchased acrylic fibre both for trading and use as raw material. While the purchase price on the trading account was Rs 64 per kg, it was as high as Rs 84 on the raw material account. The company's selling price (of the traded fibre) was Rs 66. Strange that there should be such wide fluctuations. Stranger still that the higher price was paid for raw material purchases (normally made in bulk) rather than for the traded stuff, where smaller quantities are bought.

For all this innovative approach to financial legerdemain, the groups profess a preference for sticking to the knitting. Even now, the idea of foraying into unrelated fields is still looked on with suspicion. Explains S.P. Oswal: "One can always diversify into some areas to expand the range of products. To take a step outside the industry you know can be troublesome." But then there can be trouble in the areas you know as well, especially in an industry like textiles. This is amply proved by changes in both cotton and acrylic prices — the basic raw materials — which affect margins on yarn dramatically. In the years 1985-88, while cotton prices fluctuated between Rs 10 and Rs 22 per kg (average), yarn prices gyrated between Rs 20 and Rs 37 per kg.

Given such uncertainties, D.K.Oswal's sons often think aloud about whether they would be "better off in areas like electronics than in spinning." The model for them is Modi Xerox and not Vardhman Spinning (which is one of the best cotton yarn units in the country). But this change may have to await the entry of the next generation.

CRUCIAL DIFFERENCE

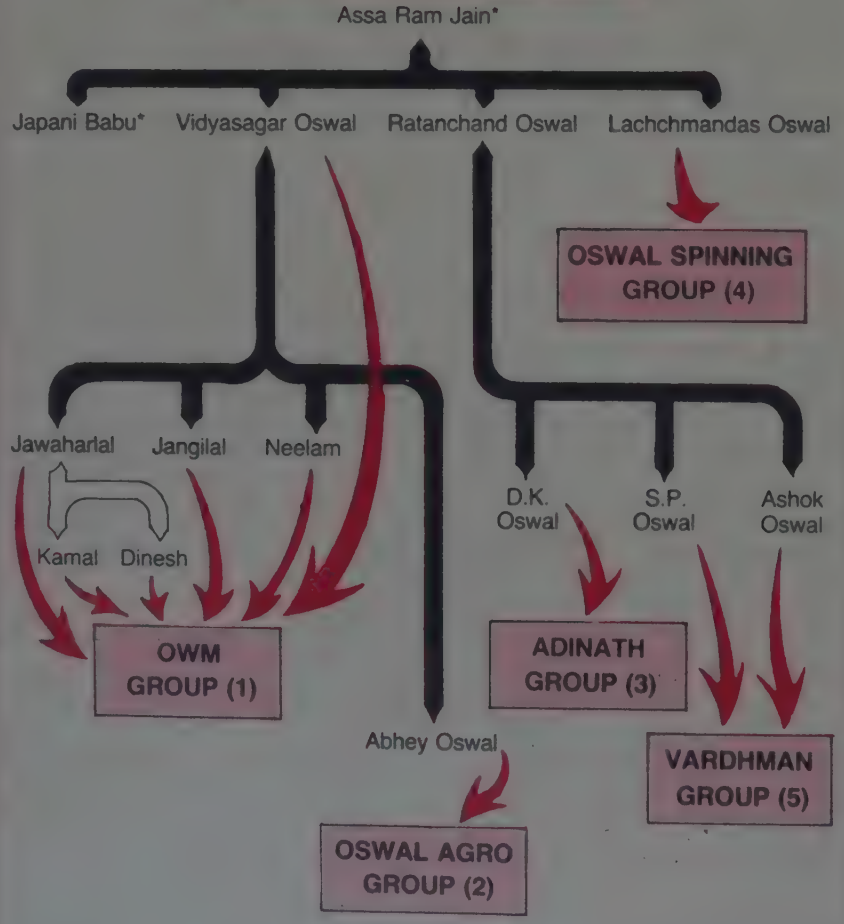
The rivalry with Abhey despite, the other Oswals differ in one crucial attribute. They think much smaller. Most of the capital issues made (or being made) are too small to make much of a splash in the markets (all below Rs 20 crores). Nobody talks of a Rs 50 crore issue or a Rs 100 crore one, unlike Abhey, who talks only in the hundreds of crores after the success of his recent Rs 350 crore Oswal Agro issue. "Why should we?" retorts Jawahar Lal. "We believe in taking money (from the public) only if there is an immediate need for it." This contrasts with Abhey Oswal's obsessive ability to raise money much ahead of need.

This essential conservatism appeals to many. "What I like about the OWM group is that all investments have gone into productive assets. There is no flashy showoff or money spent on office decor," explains Neelakanthan of JM Financial. Moreover, the other Oswal's apparently believe in first stabilising existing ventures before taking the next step in expansion. "There are no hops, skips and jumps," jokes a senior OWM executive.

So, even while the Ludhiana Oswals are envious of Abhey's overweaning ambition and his ability (so far) to indulge it, they like to underline the points of difference. Retorts a family member who is irritated by such comparisons: "Who wants to be like Abhey?"

■ *Alam Srinivas*

OSWAL FAMILY TREE



(1) Comprises Oswal Woollen Mills, Malwa Cotton, Punjab Concast Steels, Punjab Woolcombers, Nahar Spinning, Oswal Fats & Oils, Oswal Leasing Ltd. & Mukerian Paper Mills.
(2) Comprises Oswal Agro Mills, Bindal Agro & Oswal Agro Furane.
(3) Comprises Adinath Textiles & Shreyans Paper.
(4) Comprises Oswal Spinning & Weaving and smaller companies.
(5) Comprises Vardhman Spinning, Mahavir Spinning, Punjab Mohta & Mohta Industries.
**indicates deceased.*

A POINT FOR B.K. MODI

One step forward, one step backward. This sums up Modi Xerox chairman Bhupendra Kumar Modi's progress in his march towards the office automation throne. Last month, even as the i's and t's were being dotted and crossed on an agreement to give Modi an eventual "controlling interest" in Computer Point, the country's largest retail computer mart, Modi-Olivetti, his pet project, postponed yet again its much delayed product launch for the nth time.

But the Computer Point acquisition should buoy Modi's spirits. Ever since the Ghias of Indian Organic Chemicals Ltd. (IOCL) put their 28% stake in Computer Point on the auction block, Modi had been in the forefront to gain a foothold in the company. Having been pipped at the post by HCL Ltd. in the race to acquire IDM Ltd., Modi was definitely in no mood to let a second opportunity pass. And he didn't.

Actually, it makes eminent sense for him to control a retail network like Computer Point when Modi-Olivetti does take off finally. Even though he has so far assiduously distanced himself from marketing his other products (mainly Xerox copiers) through dealers or retail chains, Modi realises that marketing computers in a highly competitive environment is a totally different ballgame. "IBM sells 80% of its computers through dealers. Computer Point is the largest dealer-cum-retail network in the country," observes Modi.

Although Modi Xerox currently has about 65 service centres all over the country, given his expanding interest in the whole range of office automation products, Modi apparently feels that he has to nurture a service-cum-retail network in the long run. While retaining a certain coyness in admitting that the Computer Point deal is already through, Modi left *BusinessWorld* in no doubt that it was in the bag when he outlined his plans for running the chain. "I'll make sure that they (Computer Point) perform. The culture of dealer-motivation has to be instilled. They have to be told how. All this costs money."

PRETTY PACKET

The acquisition itself will cost him a pretty packet. The reported price: close to Rs 5 crores. If the deal goes through around this level, it would be nearly twice as much as what the other bidders in the running were willing to offer.

For IOCL chairman B.M. Ghia, the sale deal will close one more bitter chapter of failed diversifications. With earlier forays into processed foods and other areas coming a cropper, the company had ended 1987-88 with a loss of over Rs 11 crores. In the year to March 1989, IOCL has, however, reported a return to the black with a profit of Rs 6.93 crores after depreciation and interest. And in the ongoing financial year, the sale of Computer Point should enable company accountants to compute returns that are several points higher than before.

The problem at Computer Point was managerial in nature. Says one executive who prefers anonymity: "There is no organisational structure in the company." Apparently, in trying to instil an informal organisational and management system, the controls were inadequate. Besides, Computer Point was expanding too fast for the existing organisational structure to cope with it. With four branches at Bangalore, Delhi, Madras and Bombay, and six franchised outlets in other major cities, the company was attempting to set up an incredible 40 centres by the end of 1990 and achieve a turnover target of Rs 100 crores. Apart from these retail outlets, it had also taken a plunge into the highly profitable area of training and set up separate franchised operations at Madras, Tiruchirapalli, Vijayawada, Jabalpur, Ghaziabad and Jaipur.

MANAGERIAL EXODUS

Still, the organisation could perhaps have managed to trundle along if a managerial exodus had not complicated matters. The spark came with the resignation of director Prakash Ahuja from the company last year. That set off a train of personnel departures that included chief executive R. Ramraj and vice-presidents Pradeep Kar and N.J. Krishnan in the last few weeks. With Ramraj and company deciding to set up another retail chain styled Micro-Land, it was becoming obvious that Computer Point would find the going tough in the future. Meanwhile, it had lost its prestigious distribution tieup with Lotus Corporation of the US to Tata Consultancy Services in May.

The Ghias apparently saw only one way out: sell. However, it was not as if Computer Point was in financial trouble. On sales of Rs 16 crores during 1987-88, it had made profits of more than Rs 1 crore. In 1988-89, the turnover is estimated to have risen further to nearly Rs 23 crores, but profits were definitely squeezed. Hence the decision to make a dignified exit.

Modi, however, saw a goldmine behind the mountain of problems confronting B.M. Ghia. For starters, he lost no time in acquiring the services of B.K. Gandhi, a former Ghia advisor. Gandhi is now widely expected to

With the acquisition of Computer Point, B.K. Modi has taken one step towards the office automation throne. To edge closer to it, Modi-Olivetti must deliver the goods — and fast

MODI MAKES A PURCHASE



CANBANK FINANCIAL SERVICES LTD.

A wholly owned subsidiary of CANARA BANK

Marching ahead with confidence to become a well-diversified "financi services organisation" and a versatile investment banking institution

cerpts from the speech delivered by e Chairman, Shri N.D. Prabhu, at the econd Annual General Meeting held on th, June 1989.

CONOMIC ENVIRONMENT

e Indian economic scene has shown a strong recovery d has sustained the momentum of industrial growth in 88-89, thanks to the capacities built up over four cades of planned development, recent policy changes ected at improvements in capacity utilisation and iciency, the ability of development administration to spond to emergencies, prudent management of food onomy and built-in resilience of agriculture sector.

e GDP has recorded a growth of 9%, thanks to stained industrial growth and good monsoon.

e Stock Markets have shown consistent buoyancy during the cond half year, truly reflecting the economic growth.

spite the strong inflationary pressures, the inflation rate s been contained, thanks to a cautious monetary policy the Reserve Bank of India. The credit policies included axation of prior authorisation under Credit Authorisation heme entrusting the responsibility to the Banking stem, introducing rating-linked interest rates, unchaining ters on borrowers' choice of bankers, closely followed by nouncement of new money market instruments, clear idelines on portfolio management services, fine-tuning of posit-taking rules for banking and non-banking financial mpanies, etc.

stitutional framework has been strengthened by rmation of National Housing Bank, Discount and Finance ouse of India Limited, Credit Rating & Information ervices of India Limited (CRISIL).

few more banks have been allowed to set up subsidiaries r Merchant Banking, Leasing, Venture Capital and Mutual nds, as the need for such intermediaries for financial rvices has been very much justified.

EASING INDUSTRY

ne Indian Leasing Industry has found its acceptance in e corporate world and this is evidenced by the entry of a w more subsidiaries of nationalised Banks. Leasing as mode of finance is gaining popularity, thanks to the despread understanding of the concept of leasing.

conomic conditions in India are favourable and the ospects for leasing companies are bright, nsidering the Eighth Plan projections and flexible vernment policies towards the development of dustry, modernisation and expansion of capacities d the emphasis on technological upgradation.

owever, there are certain avoidable constraints straining the 'lease finance' from becoming a major ource of Corporate finance. The levy of sales-tax on ntals by many State Governments makes leasing attractive for lessees. Hire purchase of equipments, stalment sales, deferred payment facilities, loans and ch other comparable methods of financing do not ffer from this constraint. The benefits of lease ance, in terms of accelerated modernisation and dustrial growth are to that extent adversely affected. t another problem is the difficulty faced in obtaining proval for issue of 'C' Forms by lessors under entral Sales Tax.



Shri N.D. Prabhu

A better understanding of the "financial leases" which are really alternative "financing options", is needed. Removal of such constraints can go a long way in developing "leasing" as an effective method of medium-term financing.

HIRE PURCHASE AND INSTALMENT SALE

Due to the aforesaid constraints and availability of investment allowance in other methods of financing, the industries are showing increasing preference for "hire purchase and instalment sale" options. Hire purchase and instalment sale of equipments have proved to be ideal complementary areas of business and have been successfully combined with leasing by almost every company in this business. This is a useful advantage for not only the leasing companies but also for the industrial customers. This advantage is not yet available to the subsidiary companies of banks licensed to do leasing business under the Banking Regulation Act, 1949. Permission to undertake hire-purchase and instalment sale of equipment combined with leasing will encourage the subsidiaries to serve the corporate clients better in meeting their genuine medium-term needs.

CAPITAL MARKETS

Capital Markets in India have been undergoing rapid changes,structural and otherwise, in the last three years. The most significant aspect common in these changes is the much needed investor-orientation.

The Government of India have initiated a number of measures in quick succession, to achieve qualitative changes with balanced convenience for the issuer and investor, in both primary and secondary markets. These include, setting up of SEBI, Mutual Funds, Rationalisation of Share Transfer Procedures, Training Institutes, more Merchant Banking subsidiaries of Banks, Venture Capital Guidelines, Multiple Membership and Corporate Membership for Stock Exchanges, Personal Equity Plan, High-power Committee on Capital Markets, off-shore Funds, and a host of other well-timed steps to monitor the health of secondary markets. Stock Exchanges and investors, too, have responded very well and The Economic Times Index for ordinary shares went up to 467 registering a substantial increase in the last one year.

In this exciting scenario, the Merchant Banking subsidiaries and Mutual Funds of Banks have done very well and vindicated in no uncertain terms, the large and genuine need for such investment banking intermediaries to prov service infrastructure to carry out the surg of investment activity.

PERFORMANCE OF CANFINA

Canbank Financial Services Limited, known as C the first subsidiary of Canara Bank, has come ou excellent performance during its second year of operations ended 31st March, 1989.

The total income increased from Rs. 6.67 crores 88 to Rs. 29.76 crores in 1988-89. During the sa period, Profit Before Tax has increased from Rs. crores to Rs. 15.20 crores. Out of profits after tax 12.70 crores, Rs. 10.90 crores have been added reserves and surplus, after dividends of Rs. 1.80

The dividends have been stepped up from 14%

CANFINA has achieved alround performance in various financial services offered.

At the end of the year 1988-89, gross leased ass Rs. 64.06 crores, and gross disbursements up to amounted to Rs. 86.30 crores. CANFINA manag successfully 102 Capital Issues mobilising Rs. 2 crores of resources from the Capital Markets.

Advisory services have been provided to projects amounting to Rs. 600 crores. CANFINA launched separate division for Industrial Consultancy at Ba During the year under review, various investor-re services were provided. These include setting up fledged data-processing centre at Mahim, Bomba providing Registrars to the Issue and R&T agenc services. These services are already availed of b 21 companies.

CANFINA's Newsletter circulation has gone up to

Venture Capital Fund of Canara Bank, to be man CANFINA, will be launched soon.

CANFINA has just become a member of Delhi an Calcutta Stock Exchanges and is awaiting Bomba Exchange membership. With these memberships CANFINA proposes to provide a wider range of in services.

CANFINA is marching ahead with confidence to b a well-diversified "financial services organisation" versatile investment banking institution.

ACKNOWLEDGMENTS

The Company attributes its success to the sincere hard work put forth by all the staff and executives Company. I must express my grateful thanks for th operation and valuable assistance of my colleagu the Board in directing the affairs of the Company.

I would like to make a special mention about the y services rendered by the first Chairman, Shri B. R whose vision, dynamism and invaluable contributi laid a firm foundation for the Company and set th direction for its operations.

I take this opportunity to place on record our sincer thanks to the Government of India, the Reserve Ba India, Industrial Development Bank of India, Exim India, Canara Bank and, above all, the valued custo and depositors of the Company for their excellent c operation and support.

This does not purport to be a record of the proceedings of the Annual General Body Mee

CANFINA

PERFORMANCE HIGHLIGHTS

	1988-89	1987-88 (10 months)
	Rs. in lacs	Rs. in lacs
Paid up capital	1000.00	1000.00
Reserves & Surplus	1289.48	203.46
Gross Fixed Assets	6602.66	1408.97
Net Block	5653.49	1211.84
Gross Income	2975.92	667.64
Profit before Depreciation	2272.16	582.25
Profit before Tax	1520.05	385.12
Profit after Tax	1270.05	320.12
% age of dividend declared	18% p.a.	14% p.a.

BOARD OF DIRECTORS

N.D. Prabhu	– *Chairman*
R.S. Pai	– *Director*
Bansi S. Mehta	– *Director*
Sudhir Jalan	– *Director*
G.A. Shenai	– *Managing Director*
R. Kannan	– *Executive Director*

COMPANY SECRETARY
R. Lakshminarayanan
Executive Vice-President

AUDITORS
M/s. B.P. Rao & Co.
Chartered Accountants
No. [illegible] Vishwanath Rao Road
Madhavanagar, Bangalore

SOLICITORS
King & Partridge
Advocates & Solicitors
Bangalore

Dave & Girish & Co.
Advocates
Bombay

Our combination of skills

ipment Leasing
vative Leases
ned to suit the needs of every customer.

rchant Banking
FINA offers a wide range of services as posite package and tailor-made for customer s.

ancial Services
eparation of Project Reports
edit Syndication
ject Finance, Working Capital Finance, ferred Credit, etc.
vice in Lease Finance, Lease Broking
vice on Corporate Deposits
nture Capital Fund Management

Capital Market Services
- Capital issue management for private, public and joint sector companies, public, rights issues of all types of securities.
- Starting from capital structuring up to refund reconciliation in a single package
- Corporate cash portfolio management for effective management of short-term surplus with ideal mix of yield, security and liquidity

Investor Services
- Issue House Services
- Registrars and Transfer Agency services
- Data Processing Services for the bankers for issue applications, refund payments, dividend and interest payment, etc.
- Trusteeship and Security Agency Services.
- Investors Newsletter
- NRI Portfolio Management

Strategic Services
- Entrepreneurial advice on selection of projects, location, consultants, etc.
- Market surveys
- Mergers, amalgamations, acquisitions including assistance in identification of matching proposals, capital structuring, preparation of schemes, valuation of assets, share approvals of the Government, courts, etc.
- Advice on rehabilitation schemes for sick units including capital restructuring.

International Services
- Credit Syndication
- Foreign currency finance
- Counselling on transfer of technology, collaborations, joint ventures through country-desks.
- Arranging collaborations, equity participation, joint ventures including Government clearances.

Our Network

GISTERED OFFICE
Kareem Towers
ningham Road,
galore 560 052.
76911, 70495
0845-8901 CBFS IN
0812-24016.

MBAY
Atlanta, Nariman Point, Bombay – 400 021.
240057,240107, 2049690, 2044606
011-3712 CMBD IN.
022-2874250

a Processing Centre,
Mahesh, Opp. Olympus,
M. Chotani Road.
West), Bombay 400 016.
461977, 461678

NEW DELHI
1-E, Vandhana
11, Tolstoy marg,
New Delhi 110 001.
Phone: 3312035, 3312098, 3312937
Tlx: 031-66173 CBMB IN

CALCUTTA
21, Camac Street,
Calcutta 700 016.
Tel: 432575, 444881
Tlx: 021-2051 CBFD IN

MADRAS
Spencers Annexe,
770 A, Anna Salai,
Madras – 600 002.
Tel: 867148, 867502.
Tlx: 041-8079

BANGALORE
World Trade Centre,
F.K.C.C.I. Building
K.G. Road, Bangalore – 560 009.
Tel: 76177, 258237
Tlx: 845-8638 CMBB IN

AHMEDABAD
Narayan Chambers,
Ashram Road, Ahmedabad 380 009.
Tel: 78837
Tlx: 121-6468 CFSL IN

HYDERABAD
Khan Building, P. Box No. 188
4-1-956 to 962 Abid Road,
Hyderabad – 500 001
Tel: 231149.
Tlx: 04256-541 CMBB IN

Conc



A COMPUTER POINT RETAIL OUTLET IN BOMBAY

The problem with Computer Point was that it was expanding too fast for the organisation to cope with it

work on a masterplan to tap the synergies between Modi-Olivetti and Computer Point. Modi has also requisitioned the services of Prem Shivdasani, who has been advising Dhirubhai Ambani in his bid to tie up with Wang Laboratories of the US.

Not all the advice in the world, or even the "long-term working relationship cobbled up with Computer Point," will help Modi build his office automation empire unless he can get Modi-Olivetti to deliver its range of computers.

The Rs 25 crore project is one of Modi's most ambitious yet. When the machines, based on Intel's 286 and 386 microprocessors, finally hit the market, they will certainly make rival computer manufacturers sit up. In fact, industry observers suspect that the recent takeover of IDM Ltd. by HCL Ltd. was at least partially prompted by the fact that Modi was also looking at the same company.

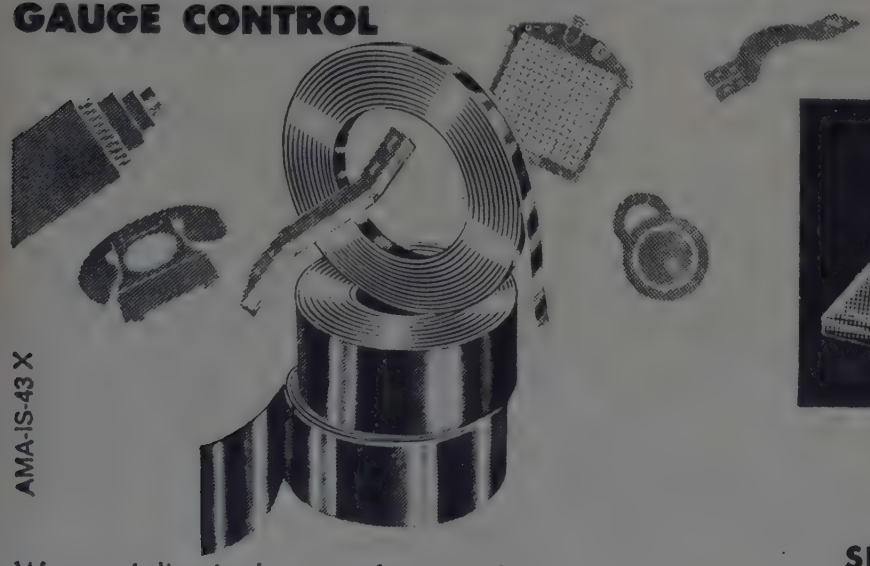
Having opted for state-of-the-art surface mounted technology (SMT) for Modi Olivetti machines, the products will obviously be priced higher than comparable ones in the market. Says B.K. Modi: "Quality comes before price, but it (the first machine to be launched) is not a premium product." He is also looking for an export market, specially in Eastern Europe. Since he already has an assured buyback arrangement with Olivetti, Modi hopes to achieve full capacity utilisation in about three years' time and churn out products worth Rs 100 crores (at current prices).

If everything pans out as planned, Modi will definitely be the cynosure of the computer and office automation industry in the next few months. With a public issue of Modi-Olivetti in the offing and with the acquisition of a controlling interest in Computer Point, Modi definitely has a point to prove. "At stake is our gilt-edged reputation," says he.

■ *George Skaria*

DOUBLE HAMMER

COPPER AND BRASS STRIPS ROLLED ON ULTRA MODERN 'Z' MILL WITH AUTOMATIC GAUGE CONTROL



AMA-IS-43 X

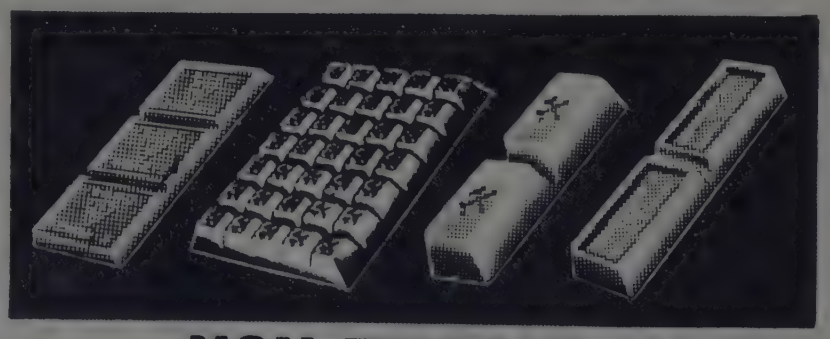
We specialize in the manufacture of:
- Radiator Copper and Brass Foils
- High Conductivity Copper Foils for Screening of XLPE Cables and other Electrical applications.

THE INDIAN SMELTING & REFINING CO. LTD.

Lal Bahadur Shastri Marg, Bhandup, Bombay 400 078. Tel 584381.
Cable: 'LUCKY' Bhandup, Telex: 11-71384 ISRC IN

Manufacturing since 1932

IS®



NON-FERROUS ALLOYS

UNDERGO THE MOST RIGID QUALITY CONTROL TESTS AND ARE 100% SPECTROMETRICALLY ANALYSED, THEREFORE, THEY GIVE BEST RESULTS FOR END PRODUCTS.

- High purity Zinc Alloys (ISMAK-3 and ISMAK-5) for Die Casting Key Components of Automobiles and LPG Cylinder Regulators.
- High Purity Zinc Aluminium Alloys for Steel Sheet Galvanizing.
- A wide range of Superior Quality Aluminium Alloys LM 6, LM 13, LM 24, ADC 12, AL Si 132, etc.
- Copper Base Alloys — Phosphor Copper, Gunmetals, Brazing Brass Ingots etc.

Assured advantage of Excise under MODVAT.

Paradise on earth...



and the setting for a world class conference centre



Kashmir... there's no place on earth like it. And there's no place like the Sher-i-Kashmir International Conference Centre to make things happen... businesswise or otherwise. The Sher-i-Kashmir International Conference Centre meets every requirement of high-powered conventions — of 10 to 1000 delegates. Plenary Hall with simultaneous translation in 5 languages. Conference Rooms. Banquet Hall. Projection Room for films, audio visual and video viewing. Business Centre offering Fax, Copier, Computers and Secretarial help. Trained staff to orchestrate complex business meets with computer controlled efficiency. For leisure and pleasure... Golfing, Fishing, Trekking, River Rafting, Mountaineering, Water Skiing, Heli-skiing, Sightseeing, Shopping. Or just relaxing in a room with a view. Yes, make the most of Kashmir — the playground of the world... now also a world class conference venue.

where business is always a pleasure!

Sher-i-Kashmir
INTERNATIONAL CONFERENCE CENTRE

Member ICCA

For assistance and reservations or a free colour brochure contact: Sales & Marketing Division, Sher-i-Kashmir International Conference Centre Chashma Shahi, Srinagar-190 001, Kashmir (India) Tel: 75631, 79601 Telex: 375-318 SKCC IN Grams: KASHCONFER Fax: 79720

HEADLAST ART & ADVT (P) LTD.

SIEMENS

Sweet Nothings



Doing away with outmoded methods of sugar manufacture, Siemens have moved into process automation of sugar plants. This ensures faster through-put and fuller utilisation of the plant, better grades of sugar at lower prices for people across the country. Machines to release man from manual labour and highly intricate consoles designed to think for him as well. Automation is a sign of our times, evidence of the application of scientific knowledge to practical problems.

Controlling the sugar boiling process with the SIMATIC S5



High technology with a human face. Whether it is control and automation systems or railway signalling equipment, medical electronics, switchgear, switchboards, drives, motors or new dimensions in telecommunications, Siemens focusses technology on human problems, human needs. Its close association with Siemens AG, W.Germany, helps keep Siemens in India in the frontline of international technology. With 120 years of experience in the country, Siemens is committed to India's progress and shares its hopes for the future.

As technology changes the face of the future, Siemens will be one of the foremost companies helping India keep pace with the world.

Siemens Ltd.,
P.O. Box 6597,
Bombay 400 018

Siemens. Where international technology meets human needs.

LINTAS SM 164 2739



BUSINES

They constitute an elite group in India's business firmament. Some run their own business while the others have a decisive say on how business should be run

When Caesar says 'Do this,' it is perform'd.
Julius Caesar, *Act I Scene 2.*

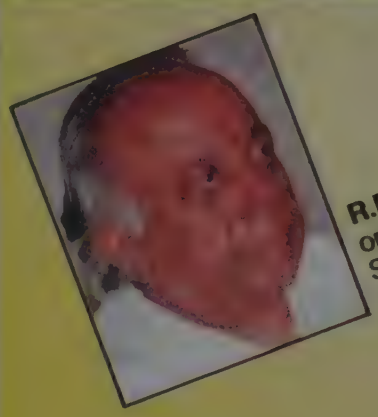
Love them or loathe them, admire or detest them. Ignore them one cannot. Variously dubbed as emperors, czars or absolute bosses of their respective baronies, they symbolise the culmination of the latest trend in the Indian business world: the emergence of the personality cult.

Whether in government, or in the public and private sectors, the firmament is speckled with a handful of supernovae which effortlessly outshine all else. Creatures of a winner-takes-all system in which mastery over the subtleties of inter-personal relationships plays a major role in determining the dominators, these Caesar equivalents have an uncanny ability to get either their say or their way — or both. This is no mean achievement in an environment still plagued by uncertainties, shortages and controls.

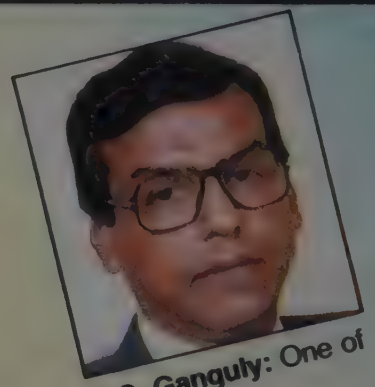
Consider:

- When Dhirubhai Ambani wants Larsen & Toubro, he gets it. As does Vijay Mallya, when he wants Best & Crompton. Never mind if lesser mortals like Manu Chhabria, Lalit Thapar or M.V. Arunachalam might also be interested.
- When Rama Prasad Goenka makes up his mind to enter the power sector, he promptly gets operating control over CESC (formerly Calcutta Electric Supply Co. Ltd.). And by an extraordinary coincidence, long dormant policy change proposals seeking to open up this core sector to private enterprise are concomitantly reactivated in New Delhi.
- When Sam Pitroda decides to head the telecom commission, even a cabinet minister has to eat humble pie and 'invite' him to take up the post. That this makes Pitroda the only secretary to the government of India — the chairman, telecom commission has this ex-officio rank — who is also a minister of state (as a prime ministerial advisor) is an anachronism which nobody in the capital dares talk about.
- When Rajan Jetley falls out with Ratan Tata — or is it the other way round? — the protracted war of nerves throws up Jetley as winner. Evidence: the *de facto* head of India's largest undivided industrial empire bows out as Air-India chairman shortly.
- When the highest echelons in government want the benefit of dispassionate advice, one person they usually turn to is Hindustan Lever's low-profile chairman A.S. Ganguly, one of India's most respected professional managers today. In turn, when Ganguly wants something, authority listens. Last month, despite being pitted against hefty contenders like Hari Shankar Singhania and Aditya Birla, Lever won a coveted letter of intent for manufacturing linear alkyl benzene (Lab), an intermediate for synthetic detergents. The loser was Birla.
- As a rule, Colonel S.P. Wahi of the Oil and Natural Gas Commission (ONGC) says what he wants. Often, he gets what he wants, too. If he flatly opposes a tentative ministry decision to hive off part of ONGC's gas-related installations to the Gas Authority of India Ltd. (Gail), the government changes its mind and veers around to supporting him. When he wants a vice-chairman in place in order to smoothen out impending succession uncertainties, Wahi is allowed to have his way.
- When Union finance secretary Gopi Arora recently decided to hold the zillionth round of 'talks' on the Haldia petrochem project, West Bengal chief minister Jyoti Basu flew to Delhi

SOME RE



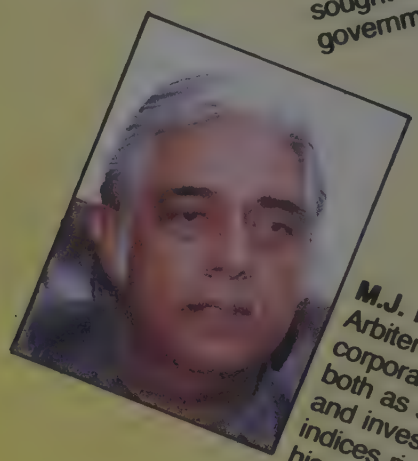
R.P. Goenka: The original takeover king. Skilful strategist, artful negotiator.



A.S. Ganguly: One of India's most respected professionals. Highly rated as a manager, his advice is much sought after by government.



Russi Mody: Among India's best CEOs and arguably the country's most loved manager.



M.J. Pherwani: Arbiter of many corporate destinies, both as shareholder and investor. Share indices rise or fall at his command.

BARONS

to call on him in what was undoubtedly an unprecedented breach of protocol. Arora, by virtue of his personal equation with the prime minister, is a man even an Ambani learns to respect. Before Arora took over as finance secretary, Ambani was widely expected to get the nod for floating Reliance stock abroad. Arora wasn't so keen. The result: the plans have been put on ice.

■ Nor is Arora the only government functionary whose emperor status the business community has to reckon with. M.J.Pherwani and S.S.Nadkarni, chairmen of the Unit Trust of India (UTI) and the Industrial Development Bank of India (IDBI) respectively, are two regnant emperors who, by virtue of their positions, can make or mar businessmen's fortunes. In the battle for Gammon India, Pherwani didn't back the Chhabrias. And they lost. In the India Cements case, a strong behind-the-scenes role was played by Nadkarni in the proposed handover of the company to its original promoters.

COMMON VIRTUE

The one virtue which applies to all these business barons, public sector or private, is the knack of getting to sit on top of the rules without breaking them. None of the players will admit that this is so, of course. But instances of bending rules or winking at them are numerous enough to prove the point, notes a Calcutta-based industrialist.

"We know our limitations. It's a waste of time getting involved in areas where they are interested," he says, unwittingly exposing the 'we-they' syndrome of Indian business which separates royalty from commoners.

The one virtue which applies to all the business barons, public sector or private, is the knack of getting to sit on top of the rules without breaking them

And neither is this merely a general statement. Apparently, this particular industrialist had an option to buy the 10% minority stake in CESC which R.P. Goenka later took up. But he refused to be tempted. Discretion, he felt, was decidedly the better part of valour.

But tales of chickening out rarely make news; rather, the headlines tend to be hogged by battles between titans. The catch is that the real fight-outs are never conducted in the open. The battles centre around getting on top of the rules, and are normally fought within the portals of government personally by the big leaguers.

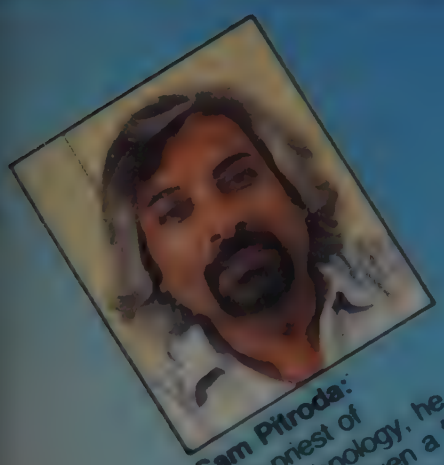
Usually, the stakes are excruciatingly high for each contender — entry into a major business sector, for instance. Always, winning one battle is never enough to earn an emperor's laurel: this time's victor might well be next time's vanquished. But the names and the games give good clues as to who the big 'uns are and the lengths they will go to in pursuit of the crown.

LAB WARS

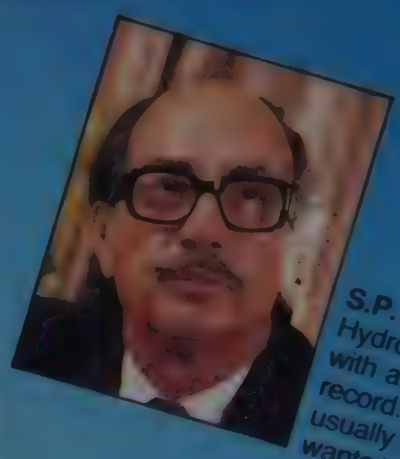
Take the illustrative case of the recently concluded Lab wars being fought since 1986 between finalists Hari Shankar Singhania of the JK group, Aditya Birla, Karsanbhai Patel of Nirma and A.S. Ganguly. The trophy: three 60,000 tonnes per annum (tpa) licences to manufacture Lab. The stake: vital upstream expansion (for Patel's Nirma and Ganguly's Hindustan Lever) or significant diversification (for Singhania's Straw Products and Birla's Grasim Industries).

The common opponent: Ambani's Reliance, already sitting pretty with a 60,000 tpa Lab manufacturing capability. Incidentally, losers already conceding defeat in the quarter and semi-finals had included Tata Chemicals, GTC Industries, Larsen & Toubro (in Nikki Desai's time), DCM and Hindustan Development Corporation.

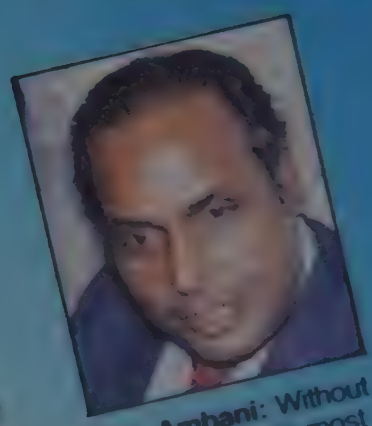
BARONS



Sam Pitroda: High-priest of high-technology, he has been given a free hand to usher in the 21st century.



S.P. Wahi: Hydrocarbons czar with a brilliant track record. Says, and usually gets, what he wants.



D.H. Ambani: Without question, India's most powerful industrialist.

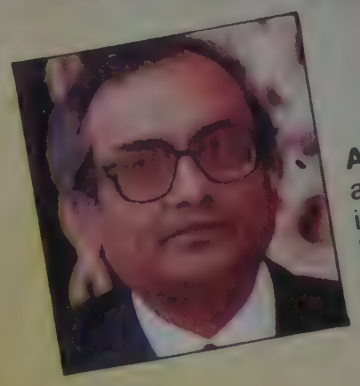


S.S. Nadkarni: IDBI chairman, and a big lender to the corporate sector. Always good to have him on your side.

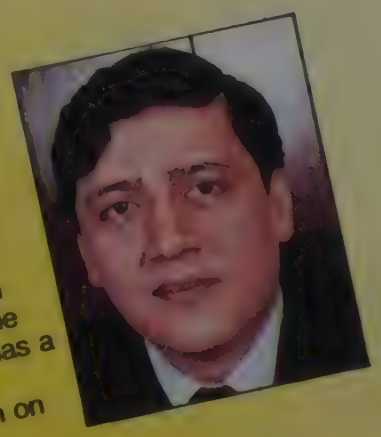
SOME POTENTIAL BARONS



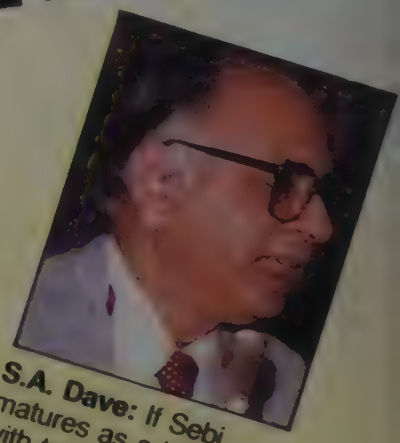
Vijay Mallya: He has proved that he possesses panache. Still trying to prove that he has vision as well.



Aditya Birla: His asset growth potential is among the highest. Has the added advantage of a diversified base.



Rajan Jetley: With age on his side, the lord of the skies has a good chance of carving a domain on earth as well.



S.A. Dave: If Sebi matures as a body with teeth, he could share some of Pherwani's clout.

As with many contemporary business battles in India, the Lab wars were fought in the corridors of power: in the industry ministry and the department of chemicals and petrochemicals, and in fora such as the projects approval board (PAB) and the cabinet committee on economic affairs (CCEA). Originally, in August 1986, the PAB had approved letters of intent for plants at Visakhapatnam (to the Andhra Pradesh Industrial Development Corporation, or APIDC) and at Mathura (to the Uttar Pradesh Industrial Development Corporation). In January 1987, though, the CCEA 'deferred' a decision on the PAB's recommendation and instead asked the industry ministry to 'review' the policy of giving industrial approvals to state IDCs.

Clear evidence of byzantine intrigues followed. An inter-ministerial committee recommended the allotment of the Visakhapatnam project to Nirma, the Mathura project to Grasim and a third project at Karnal to Hindustan Lever. The power games continued in right earnest. In August 1987, the department of chemicals and petrochemicals replaced Lever's name with that of Straw Products. Later, in a *volte face* in June 1988, it restored Karnal to Lever and clubbed the names of Straw Products and Grasim for the Mathura project. In September, the PAB chose Straw Products for Mathura. The CCEA endorsed these recommendations last May, ending a tortuous three-year battle of nerves.

An obvious lesson is that aspirant emperors not only must have tremendous persuasive powers but gritty staying powers as well. The former, to ensure that one's point of view is heard by a perpetually shuffling round robin of politicians and bureaucrats; the latter, to stick it out patiently even as opponents do all they can to throw a spanner in the works.

One Calcutta-based industrialist who had the option to buy a 10% stake in CESC, which R.P. Goenka took up later, refused to be tempted. Why tread on the toes of a business baron unnecessarily?

An apposite case in point is Gaur Hari Singhania's perseverance in winning the coveted Saleempur aromatics project at Aligarh (Uttar Pradesh) last month after a three-year war of attrition. This naphtha-based Rs 850 crore complex will make (among other petrochemical derivatives) 150,000 tpa of purified terephthalic acid (PTA) — a key intermediate for downstream polyester products. Hence its attraction.

Singhania's J.K. Synthetics apart, the battle for Saleempur was fought by Ambani, Aditya Birla and Sanjay Dalmia as well. (In the private sector, the same names tend to crop up. Only few can reach these Olympian heights of influence, after all.) Initially, in 1986, an Uttar Pradesh government committee had shortlisted three names: JK, Reliance and Grasim. As the story goes, all three being strong contenders, the state government was loth to take a definite stand. Indeed, allegedly because Ambani would rather scotch the project than let it go to a competitor, the Union industries ministry decided to treat the letter of intent as lapsed in March 1987, about a year after it was issued.

The scene of action promptly shifted from Lucknow to New Delhi. A year's hectic lobbying later, the department of chemicals and petrochemicals recommended J.K. Synthetics for the project, which recommendation was cleared by the PAB in mid-1988. The CCEA, however, took all of eight months to endorse the PAB's clearance — and Singhania bagged the mega-project after all.

The enormous scope for discretion vested in the often nebulously defined powers of committees (and their members) has created invisible empires in the governmental setup as well. For example, one regnant emperor is finance secretary Gopi Arora — whose clout is such that even the country's senior-most chief minister (Jyoti Basu), who is known not to be of the kowtowing type, responds to the former's 'summons' without too much of a fuss.

But an Arora colleague, who is privately peeved at being relegated to a backwaters job, reasons that Arora's metaphorically crowned head must also be an uneasy one: "Gopi is powerful not so much because of his post but owing to his enjoying the confidence of the political leadership. At best, this is a fragile advantage."

CLIPPED WINGS

He mentions two recent instances of high-flying bureaucrats who have had their wings abruptly clipped. One is Bimal Jalan, one of the government's favourite 'intellectuals' till not so long ago, who was packed off to



Washington and has been little heard of since. The other is Arora's predecessor S. Venkitaramanan, who has been kicked upstairs to adorn top-level, but inconsequential, advisory posts.

The proverbial slip between cup and lip has affected other probables as well. Canara Bank's superbanker chairman B. Ratnakar, for example, retired last year in a blaze of glory while still in his early fifties amidst rumours that he was definitely in the running for posts in higher altitudes. When Venkitaramanan was finance secretary, there was talk of installing Ratnakar as banking secretary. Barkis was willing, not least because of the power it would give him to reshape the country's innovation-shy banking sector. But the proposal ran foul of the IAS lobby, which was loth to see such plum governmental posts go to someone outside their camp.

Ratnakar was then offered the chairmanship of the country's largest trading organisations: the Minerals and Metals Trading Corporation and the State Trading Corporation. But the news leaked prematurely, alerting the anti-Ratnakar lobby. Soon enough, Ratnakar was being investigated by the Central Bureau of Investigation for alleged sins of commission in some property deals. To date, the investigation has yielded zilch, but the damage will be difficult to remedy. Wryly notes a serving bank chairman who will probably be content to superannuate as one: "Ratnakar was over-ambitious." The fact remains that the rising star of yesteryear may yet turn out to be a shooting star instead.

One conclusion: a track record of innovation and gutsy survival is not enough to make an emperor of an achiever. Which is why it is worthwhile gleaning a lesson or two from proven success stories like Colonel S.P.Wahi or V. Krishnamurthy.

While Wahi has a legitimate reputation as a no-nonsense hands-on manager, Krishnamurthy (64) has graduated to the status of a management icon in the public sector notwithstanding his lack of formal management education. Certainly, the government considers him indispensable. Retirement rules have been waived in his case, and apart from allowing him to concurrently hold two top chairmanships (Steel Authority of India Ltd. and Maruti Udyog), Krishnamurthy has been granted the rare privilege of holding the rank of secretary.

Strong as both Wahi and Krishnamurthy are in managerial attributes like project conceptualisation ability, implementation capability and long-term vision, their emperor status probably stems from an uncanny knack of getting along equally well with superiors, peers and subordinates alike. An amalgam of patience, tact, proven capability and inspiring vision has done the trick. Endorses Maruti Udyog's managing director R.C. Bhargava in respect of Krishnamurthy: "Almost all of them (i.e. politicians and bureaucrats) respect him and have confidence in him."

A fallout of the elevated icon-like status achieved by public sector functionaries like Wahi, Krishnamurthy and Sam Pitroda is that they can get away with saying and doing whatever they like. (It is not a secret that battling bureaucratic barriers has been one of Wahi's running — and decidedly enjoyable — occupations.) In turn, this is partly because they are workaholics who never say no to more work. Look at Pitroda ("I thrive on work. That's my kick, my drug") — he is in charge of revamping the country's telecom system, increasing oilseed production, providing drinking water, immunising children and eradicating illiteracy. This is clearly a lot for any man to handle.

Outspokenness and a penchant for direct action might have won these individuals both admirers and detractors in equal number, but charisma alone is not enough. If critics have to be discreet, it is because these three public sector emperors have delivered valuable results. The track records of Krishnamurthy and Wahi are well known. And the merits of Pitroda's first baby (the Centre for Development of Telematics) apart, he has certainly worked wonders in the oilseeds sector.

The oilseeds technology mission's production target of 15.6 million tonnes for the current year is likely to be exceeded. Thanks to that, not only will imports decline by 50% but exports of derivatives will earn Rs 600 crores in foreign exchange. For the first time in years, the oilseeds sector is expected to contribute Rs 100

As with many contemporary business battles, the Lab wars were fought in the corridors of power: in the industry ministry and the department of chemicals and petrochemicals

IMPERIAL ATTRIBUTES

What does it take to make an emperor an emperor? Not power, patronage or pelf alone. By distilling the characteristics and attributes of reigning and potential czars, *BusinessWorld* outlines here a psychographic profile of the kind of individual most likely to be able to establish and assert his authority as lord and master of his domain. Needless to say, rare is the potentate who will have all these attributes.

1 He is not afraid to speak his mind.

As a professional, he is quintessentially non-partisan, and so his views are heard with respect. (Shades of V.Krishnamurthy of Sail?) As a capitalist (if he is in the private sector), he has no insecurity hang-ups, therefore he is not afraid to open up his mind.

2 He tends to get what he wants.

Or else, he just goes ahead and does it anyway. Since these wants are related to the organisation, and not to individual needs, he escapes being branded as arrogant. Usually, that is. ONGC's Colonel S.P. Wahi?



3 He tends to be kept in everybody's good books.

Not surprising, given that he is the repository of one or more of the following: power, influence and patronage. If he can do you good, so can he cause you harm. M.J. Pherwani of UTI and S.S. Nadkarni of IDBI are two people no one can afford to antagonise.

4 He sits on top of the rules, not below them.

Rules are bent to accommodate him. Because if they aren't, he is likely to flout them and create his own rules. So it's better to save the trouble in the first place. The description fits Dhirubhai Ambani, all right.

5 He has admirers and detractors in equal numbers.

And in large numbers, one might add. As a dominant personality, the emperor is either loved or hated. Almost by definition, as it were, he can never be the victim of indifference. At least, not someone like Vijay Mallya.

6 He tends never to retire.

The crown, once won, cannot be abdicated. Sons and successors might be groomed all right, but they will have a tough time establishing their credentials. R.P. Goenka's sons will have a tough time living up to their father's stature.

7 He has an international reputation.

And at the very least, a nationwide field of action. Regional luminaries, however outstanding, can never hope to gain imperial status. There's a lesson in this for hopefuls like A.C. Muthiah of Spic.

8 He steers clear of publicly declaring his political alignment.

This is an attribute which Dhirubhai Ambani certainly fails to clear, but Ratan Tata fits the bill. So does Aditya Birla. The trick is to communicate one's sympathies without ever categorically pinning oneself down ideologically.

9 He is master of his immediate environment.

In other words, he has a free hand in controlling access to himself. Gives access only when he wants to. And only to those who will subserve his interests. One D. Ambani comes to mind once again.

10 He has a track record of proven achievement.

Bluff and bluster can take one only thus far — and no further. Manu Chhabria will have to prove his mettle before he can hope to make the grade.

crores to the country's foreign ex change reserves this year.

Determined result orientation i also a distinguishing characteristic o a potential monarch of the blue skies Rajan Jetley. Critics argue that the sec ret of Jetley's incipient heavyweigh status is his boyish candour an charm which happen to have struc the right wavelength at the prim minister's office, not excluding Raji Gandhi's ex-airline buddy Satis Sharma.

Therefore, even the likes of Ratan Tata have been unable to stand up t him. But at the end of the day, Jetle is having the last laugh because Air India's restored bottomline says it all (See *BW* 21 June–4 July, 1989, p.42).Parenthetically,one might venture to predict that Vayudoot chief Harsh Vardhan will never be an emperor. He simply has not matched promise with performance, thanks to which the label of manipulator has rightly or wrongly stuck.

PUBLIC SECTOR CZARS

The public sector has thrown up more czars than the private sector. After all, control over the commanding heights of the Indian economy lies with the former. So it is that in the financial sector, UTI chairman M.J. Pherwani has been invested with the *de facto* status of a demi-god. Not only is he the country's single largest investor with staggering investible funds of over Rs 8,000 crores (and perhaps more), Pherwani is also one of the largest shareholders in the country.

Technically, of course, the glory belongs to UTI and not to Pherwani; but then, being the boss, he calls the shots. On a day-to-day basis, Pherwani can literally make or break the stockmarket at his whim: each working day, UTI takes fresh investment decisions on the previous day's cash inflow, averaging around Rs 10 crores. Share prices of mighty companies go zipping up or come tumbling down depending on whether UTI lends or withdraws support. No wonder both bulls and bears recognise Pherwani as the awesome emperor of the capital market and pay him the necessary obeisance.

But all this doesn't mean the private sector barons are Lilliputians in the game. Apart from Ambani and R.P.Goenka, Russi Mody of Tata Steel is another reigning monarch. He is

one of the few businessmen who can speak his mind and still not draw official retribution. A couple of years ago, Mody was bitter in his denunciation of the government for its action in blacklisting Tata Steel for alleged excise evasion. In the end, it was the government that backed off and reached an amicable settlement with him. Not only that, it cleared Tata Steel's expansion proposals and permitted it to make the largest ever public issue to finance these plans recently (see BW 26 April-9 May, p. 42).

Ganguly of Hindustan Lever is another example. Lever's largest factory at Sewree, Bombay, has been under lockout for more than a year now, but Ganguly has been under no political compulsion to settle with his recalcitrant unions. On the other hand, Ratan Tata's Telco, which has lost a lot of production at its Pune (Maharashtra) factory due to work disruption by a section of the labour force, is under some political pressure from the state government to recognise a union he'd rather not: one led by a suspended employee, Rajan Nair.

A LESSON

If nothing else, this underscores the importance of cultivating the powers-that-be for aspiring business barons. J.R.D.Tata never did that; and so, notwithstanding his unchallenged status as doyen of Indian industry, he never enjoyed the kind of power that an Ambani does now. He was always an outsider as far as government and business policy-making was concerned. The lesson has not been lost on Ratan Tata. Where JRD had a tendency to look down on government, Ratan has realised that one has to work with government. One fallout of this thinking is the Tata joint venture with Indian Oil to set up the Karnal refinery. While his other effort to work with government (as Air-India's non-executive chairman) has ended in a fiasco, there is no sign that the experience will make Ratan Tata government-shy.

The same goes for Aditya Birla, an industrialist with one of the highest asset growth potentials in the country. But his characteristic low-profile style tends to give him an image less powerful than is warranted. And image sometimes means power as well.

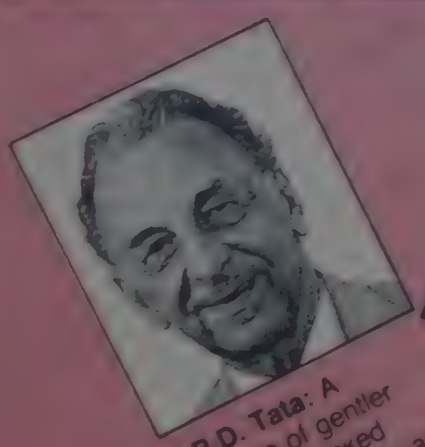
Some of the other potential business barons of tomorrow are the shadowy Srichand Hinduja, S.A.Dave (chairman of the Securities and Exchange Board of India, Sebi), Manu Chhabria and the irrepressible Vijay Mallya. While Hinduja's aspirations will depend on how the Bofors tangle finally ends, he has already made a beginning of sorts in the super-industrialists' league by his purchase of Ashok Leyland. Mallya's only drawback is his playboy image, which tends to substract from his newly-acquired status as one of India's truly international-minded businessmen. Dave's future clout will depend on whether Sebi wins its battle for more powers to regulate and discipline the capital market. If he manages to do that, he could share some of Pherwani's glory. As for Manu Chhabria, his future may ultimately be decided on the battlefield. Having roused the wrath of Ambani with his abortive bid for Larsen & Toubro, to become emperor he has no other option but to dethrone the existing one. Ambani, for one, is unlikely to oblige. And he happens to be the business baron of barons.

In other words, going back to the point made at the very start, nobody can afford to ignore the monarchs in our republic — whatever be one's private emotions (love, hate, admiration, loathing) towards them. The culmination of the personality cult apparently fits in quite snugly with the Indian psyche, too, which explains why this contemporary phenomenon has found ready subliminal acceptance.

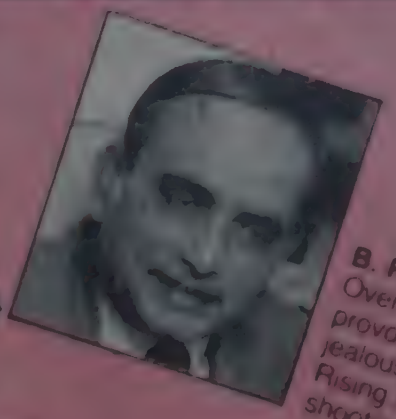
Perhaps the pressure of cut-throat competition has caused an across-the-board upping of stakes and honed personal ambitions as well. Certainly, a generation ago industrialists like G.D. Birla or Sir Biren Mookerjee were powerful individuals in their own right. But they could hardly be branded as propagators of absolutism. Right now, the march of the emperors presages that the absolutist credo will be bound to stalk Indian industry till well into the nineties. Or even beyond.

■ *Sujoy Gupta*

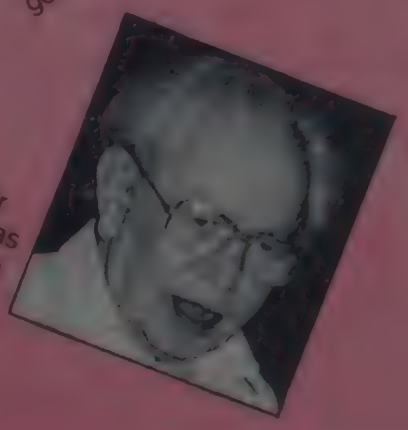
SOME COULD-HAVE-BEEN BARONS



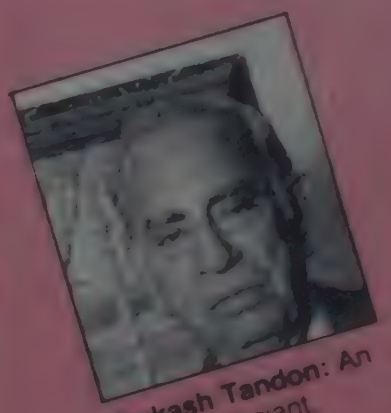
J.R.D. Tata: A creature of gentler times, he lacked ruthless ambition and the killer instinct of kings. Besides, he had a disdain for government.



B. Ratnakar: Over-ambitious, provoked too much jealousy too soon. Rising star became a shooting star.



Darbari Seth: For him, opportunity has come too late in life. He is already 68.



Prakash Tandon: An intellectual giant. Unfortunately, a couple of decades ahead of his times.

FROM TINSEL TOWN TO TCC

When the Tamil Nadu Industrial Development Corporation (Tidco) decided to hive off its share in Tamil Nadu Chromates & Chemicals (TCC), which was bleeding red, it had hardly expected a movie mughal to zero in on the offer and turn the company around.

For C.V. Sridhar, director of several mega-hits in the sixties, writer, doyen of the Tamil film world and erstwhile kingmaker, it was a role with a difference — that of chairman and managing director of TCC. He got absolute control of the company when he bought a 52% stake in it last September.

A joint sector outfit, TCC went on stream in 1975 to produce sodium dichromate and basic chromium tanning (BCT) powder, both essential inputs in industries such as leather, textiles, paints and paper. With an installed capacity of 2,500 tonnes of sodium dichromate and 3,300 tonnes of BCT, TCC's plant came up 115 km from Madras at Ranipet in Tamil Nadu's leather belt.

It was an unmitigated disaster. And by mid-1986, a weary Tidco management, which had witnessed a steady march of chief executives — "nearly nine, if you include the part-time directors in charge," chuckles Sridhar — had decided on privatisation as a way out. By then, the losses had mounted to over Rs 2.25 crores against a paid-up capital of Rs 40 lakhs. TCC was at the doorstep of sickness when Tidco called it quits.

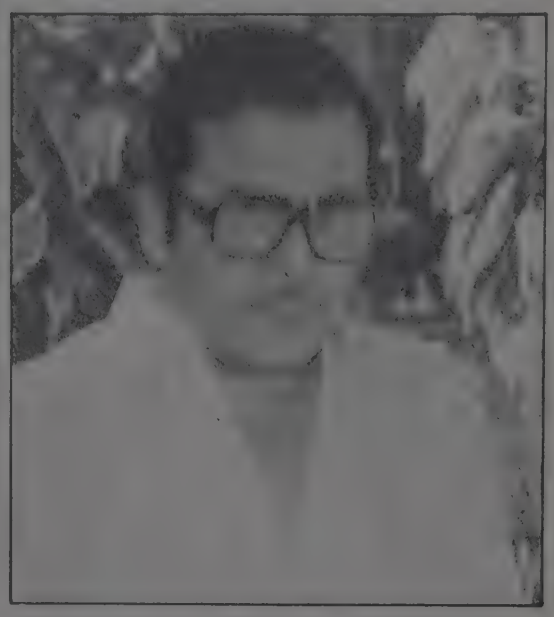
An advertisement in early 1986 announcing Tidco's intention to disinvest had four parties queuing up, including Oswal Oil Mills and two Calcutta-based companies, B.M. Chemicals and Chem Crown. "But my offer was the best," claims Sridhar. "There were absolutely no conditions attached. I took on all the liabilities, and did not ask for any waivers."

Heavy burden. Sridhar also made a down payment to Tidco and picked up its entire holding in TCC. His financial burden is not light. He has promised to repay Tidco's loan of Rs 1.72 crores to the company in six years and has backed up his promise with a bank guarantee. "Tidco was virtually financing the losses. We are confident of paying off the entire sum," says Sridhar.

What prompted a movie magnate to dabble in chemicals? Explains Sridhar, "I was jaded after 30 long years in films. And, moreover, I was in a highly speculative industry. I had this keen desire to enter a stable industrial activity and this fitted the bill."

Sridhar and R. Sankaran, a director on TCC's board, checked out the markets and collected all the dope they could lay their hands on. "We knew we were on to a good thing. All it needed was a bit of zip," reasons Sankaran.

In a market with only two big players (Golden Chemicals of Bombay



SRIDHAR HAS CAST HIMSELF IN A DIFFERENT ROLE

and TCC together account for over 50% of the market), the uncertainties were minimal. For BCT powder, though, the demand is seasonal as it hinges on the fortunes of the tanning industry. Says Sankaran, "We knew offtake was assured so all we had to do was stabilise output." Sridhar clamped down on galloping costs and inventory planning improved. Prices were raised to levels the market could bear, and credit facilities to buyers were discontinued.

Market conditions also favoured Sridhar. Leather exports increased and stocks moved faster. While production levels were maintained during the Tidco regime, runaway costs made everything go haywire. "Our first step was to increase profitability by cost control," explains Sridhar.

Motivating labour. More measures followed to recoup the hefty losses. Among the major ones was motivating a surplus and complacent labour force to stay on its toes. While initiating rehabilitation moves, the new management ensured that there was no retrenchment. The surplus workforce will find more work when Sridhar decides to diversify. "We are keeping our options open on that," he says.

The emphasis will be on preventive maintenance rather than on crisis management to stabilise production, says Sankaran.

To keep the 15-year-old plant chugging smoothly, Sridhar roped in a mechanical engineer as general manager — his only major recruitment. "We haven't disturbed anything in the old setup. While we retained the carcass of the public sector, we infused private sector dynamism. We can react faster to the needs," says Sankaran.

The change of guard has had a salutary effect on TCC's balance sheet. In the first half of 1988-89, the company's cumulative losses stood at Rs 2.25 crores. In the second half (October-March), however, the picture changed. The turnover rose to Rs 8 crores and cash profits amounted to Rs 7.76 lakhs. Losses were staunched enough for TCC to wind up the year with a meagre net loss of Rs 2.55 lakhs. Sankaran hopes to make a profit of Rs 50 lakhs next year on a turnover of Rs 10 crores.

While Sridhar and Sankaran are bullish about TCC's prospects, a market observer has his doubts. Says he, "TCC's good showing is because the market is on an upswing. It's got to be seen how they manage in a crisis. For now, we'll have to wait and watch."

For his part, Sridhar is doing more than that. On the agenda is a Rs 1 crore revamp and modernisation plan. The moderate turnaround at TCC is heady enough for Sridhar to think of diversification. "It could be in a similar line of business, but we're not fussy. We'll keep our eyes peeled for other small and medium sick units." And if the TCC experience is any indication, these should prove that it isn't only films that have happy endings.

■ *Vinay Kamath*

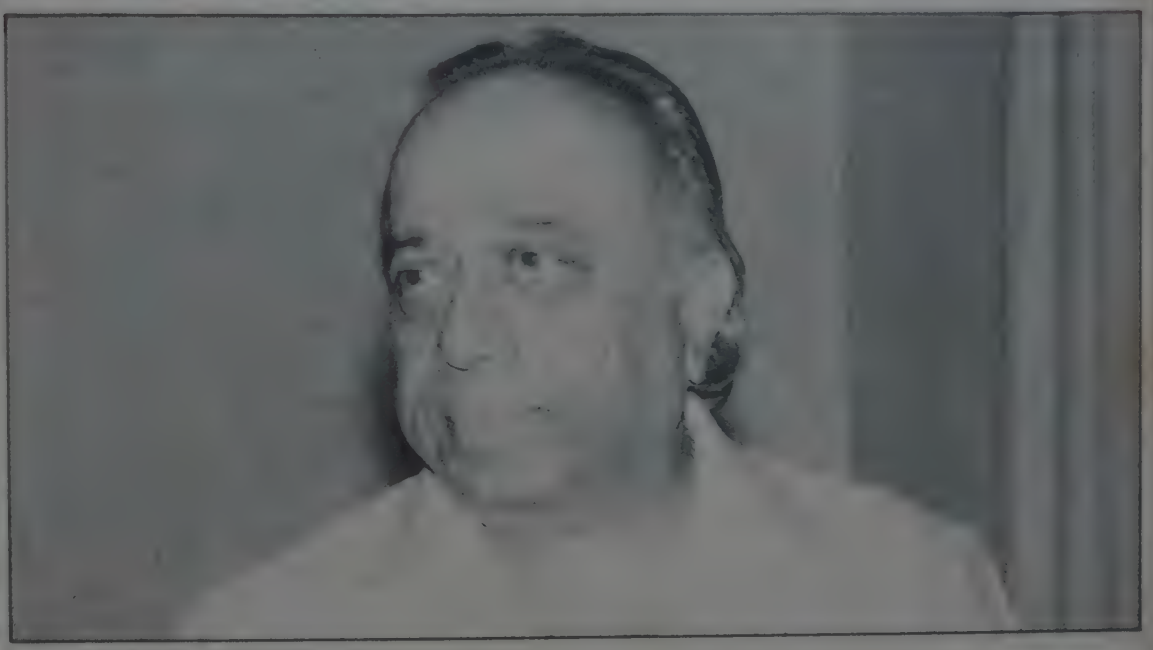
(CARBON) BLACK IS BEAUTIFUL

The fortunes of the carbon black industry ride on rubber tyres. To be sure, carbon black is used even in the paints and inks industries, but tyres are the major area of application. An automobile tyre contains about 30% carbon black by weight and 17% by value. And with the tyre industry doing well, can carbon black be too far behind?

The Rs 190 crore carbon black market is dominated by the three Goenka brothers, Rama Prasad (RP), Jagdish Prasad (JP) and Gouri Prasad (GP). Together, their three carbon black companies account for an 80% market share; in terms of installed capacity, their share is around 62%.

The carbon black industry's prospects are changing — for the better. All the three major companies in the industry are expected to put up a good show this year

The boom in the demand for carbon black is reflected in the results of Gujarat Carbon Ltd. (GCL), a G.P.Goenka company. It was promoted jointly in 1973-74 by Phillips Carbon Black Ltd. (PCBL) and the Gujarat Industrial Investment Corporation Ltd. (GIIC), with the former holding 25% and the latter 26% of the equity. The rest was issued to the public. In the year to 30 September 1988, GCL's bottomline almost quintupled, with net profits rising from Rs 55 lakhs to Rs 2.71 crores. And this despite a substantial tax liability. The improvement in the bottomline was partly due to a much lower depreciation charge of Rs 0.31 crores (Rs 2.10 crores in the year before).



CARBON BLACK KING R.P. GOENKA

Oriental Carbon & Chemicals Ltd. (OCCL), a J.P. Goenka company, was also promoted by PCBL. OCCL derives 87% of its sales from carbon black and the balance from single superphosphate and other chemicals. Its net profit (which was down by 6% over 1986-87) would have been lower (into the red) had it not changed the depreciation method to the straight line one. This resulted in higher profits. During the year, it added Rs 6.77 crores to its gross block.

Margins. Compared to PCBL and Oriental Carbon, GCL's margins appear quite good (see table) as its interest costs are very low. Further, due to their comparatively lower equity bases, GCL and Oriental Carbon can declare better dividends than PCBL.

PCBL (an R.P. Goenka company) has till now been a bit under the weather. But the improved prospects for the carbon black industry have helped it attract the attention of investors. The scrip is now steady at around Rs 50, up from its 1988 low of Rs 27. The company was promoted by Phillips Petroleum Co. (USA) and Duncan Brothers, with each party chipping in with 30% of the equity capital.Last year,as part of its worldwide withdrawal, Phillips Petroleum divested its holdings in PCBL by offering its holdings on a rights basis to the other shareholders.

Since its incorporation, PCBL has gifted its members with four bonus and two rights issues. It has achieved

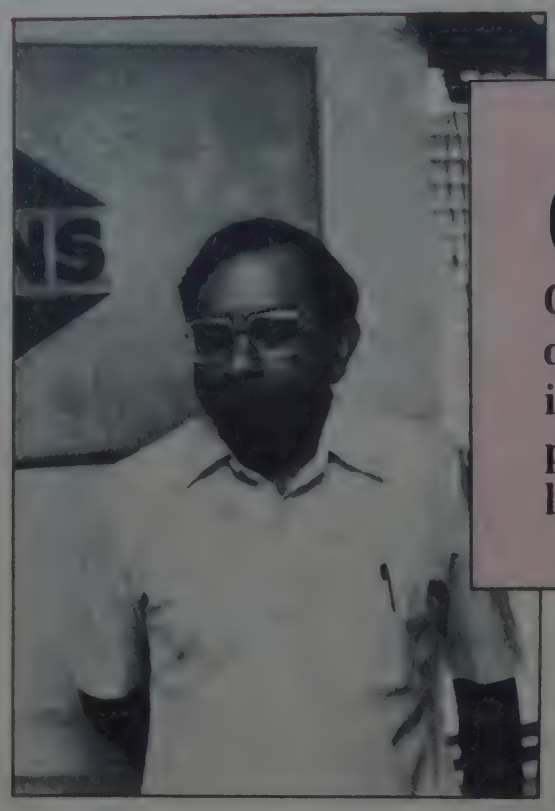
RISING DEMAND

	Tyre production (lakh tonnes)	% increase over previous year	Carbon black demand (lakh tonnes)	% increase in demand over previous year
1985	109	—	0.99	—
1986	110	0.9	1.00	1.0
1987	123	11.8	1.05	5.0
1988	156	26.8	1.33	26.7

Source Companies

a 15% average annual growth in the last 10 years, with sales rising from Rs 18.6 crores in 1977-78 to Rs 65.01 crores in 1987-88. This increase was entirely due to higher sales realisation. During this period, the sales volume actually declined from 39,741 tonnes in 1978-79 to 34,062 tonnes in 1987-88. Pre-tax profit during the period also declined from Rs 2.77 crores to Rs 2.21 crores. Mounting interest charges ate away the extra contribution generated by higher sales. During the 10-year period, interest costs shot up more than 12-fold, up from just Rs 32 lakhs in 1977-78 to Rs 4.04 crores in 1987-88. The interest coverage ratio (i.e. the ratio of profit before interest, depreciation and tax to interest) declined from 8.7 times to 1.7 times during the period.

Till recently, the two major problems faced by the industry were underutilisation of capacity and a shortage of feedstock. The industry's



G.P. Goenka's Gujarat Carbon Ltd. has almost quintupled its bottomline in 1987-88, with net profits rising from Rs 55 lakhs to Rs 2.71 crores

average capacity utilisation has been around 50% to 55% only, with Oriental having the best record of 92%. Last year, the government compounded the problem by allowing the import of large quantities of carbon black. Capacity underutilisation increased further with the commencement of production by Indian Rayon's 5,000-tonne carbon black plant.

Feedstock problem. The industry has had hassles in procuring good quality feedstock. During 1987, the production of quality feedstock by Barauni refinery was down by at least 20%. This forced carbon black producers to procure feedstock from Haldia and other distant refineries. But the situation has since improved with the government allowing the industry to import good quality feedstock and meet the tyre industry's demand rather than allow the latter to import carbon black itself. Consequently, the industry's production during 1988 has improved.

The prospects for the industry are now better. GCL, in particular, is expected to perform well as it is setting up a plant to manufacture methyl ethyl ketone (MEK), an import substitute. The scrip appreciated by 60% to Rs 80 after the September 1988 results were out. Currently, it has settled down around Rs 70. With a yield of 4% and a price-earnings ratio of only 5, the scrip is likely to move up further. Phillips Carbon is yet to discount its earning for the year ended 31 March 1989, which is likely to show a quantum jump. For Oriental (which is not listed on the Bombay stock exchange), too, the prospects are reasonably good.

■ *M.C. Ved*

VITAL STATISTICS

(Rs crores)

	Phillips Carbon	Oriental Carbon	Gujarat Carbon	
For the year ended	**31.3.88**	**31.3.88**	**30.9.88**	**30.9.87**
Sales	65.01	68 46	27 22	28 05
Other income	1.72	7.42	NA	0 41
Interest	4.04	4.41	NA	0.30
Depreciation	0.48	1.79	0.31	2.41
Tax	1.00	0.35	1.70	0.38
Net profit	1.21	1.79	2.71	0.55
Equity capital	5.26	2.41	2.06	2.06
Reserves*	10.81	7.69	5.86	3.83
Borrowings	19.48	20.20	NA	0.43
Net block	8.38	19.88	NA	8.33
EPS (Rs)	2.30	7.40	13.20	2.70
Dividend (%)	18.00	32.50	25.00	20.00
Gross margin (%)	4.20	5.70	17.00	11.90
Net margin (%)	1.90	2.60	10.00	2.00
Production data:				
Licensed capacity (Tonnes)	40,000	28,000	NA	40,000
Installed capacity (Tonnes)	50,000	35,000	NA	35,000
Production (Tonnes)	33,428	32,063	NA	16,194
Capacity utilised (%)	67	92	NA	46
Market share (%)	32	31	NA	15

* Excluding revaluation reserves
Source: Companies

BANNARI AMMAN

SWEET RESULTS

Bannari Amman Sugar Ltd. (BASL) has released gratifying results for the 18 months ended 31 March 1989. The company notched up a total income of Rs 35.73 crores compared to Rs 19.39 crores for the previous 12 months — a 22% increase on an annualised basis. Gross profit stood at Rs 8.54 crores (Rs 4.06 crores) — a 40% rise when annualised. Pre-tax profit rose 157% (annualised) to Rs 5.40 crores and post-tax profit witnessed a 151% increase (annualised) to Rs 4.47 crores. With an interim dividend of 15%, total dividend for the year works out to 25%.

BASL has procured a letter of intent for the manufacture of 5,400 tonnes per annum of citric acid. A project to process and export granite stones is also on the cards. Besides, a textile mill for the manufacture of cotton yarn is being considered.

ANIL CHEMICALS

OUT OF THE WOODS

Anil Chemicals Ltd. has emerged from the woods. For the year ended 31 March 1989, sales have increased 106% from the previous year's annualised figure of Rs 1.64 crores to Rs 3.38 crores. The company earned a gross profit of Rs 18.42 lakhs compared to a gross loss of Rs 15.41 lakhs last year. Net profit stands at Rs 2.42 lakhs.

During the year the company commissioned the emulsion matrix plant with knowhow from Blasting Products Inc. USA. After the last of the three bulk loading systems is commissioned, 80% of the production of its prilled ammonia nitrate would be utilised to produce bulk emulsified explosives, a value-added product.

GOA ELECTRICALS

BREEZY PERFORMANCE

Goa Electricals & Fans Ltd., promoted by the Economic Development Corporation of Goa and Crompton Greaves Ltd., has put up an impressive performance in the second year of its operations. For the nine-month period ended 31 March 1989, it has reported sales of Rs 3.34 crores, up from the previous year's figure of Rs 2.76 crores. It sold 69,211 ceiling fans (60,675)

Gross profit for the year stood at Rs 24.56 lakhs (Rs 10.98 lakhs). After adjusting for interest of Rs 18.66 lakhs (Rs 11.58 lakhs) and depreciation of Rs 5.97 lakhs (Rs 5.27 lakhs), net profit stood at Rs 4.93 lakhs as against a net loss of Rs 5.87 lakhs in the previous year.

However, the directors have not recommended any dividend but have transferred this maiden profit to reserves.

GLINDIA

GOOD SHOW

Glindia Ltd. has put up a good show for the nine months ended 31 March 1989. Net sales stood at Rs 205.93 crores compared to Rs 230.13 crores in the previous 12 months — a 19.3% increase on an annualised basis. Post-tax profit rose to Rs 13.64 crores which, when annualised, works out to a 79% jump. The board of directors has recommended a 20% dividend for the 9-month period, but this works out to 26.6% if annualised. Last year too, the dividend was 20%.

MAFATLAL FINE

MARGINS UNDER PRESSURE

Mafatlal Fine Spg. & Mfg. Co. Ltd. has turned out a fairly good performance for the year ended 31 March 1989. Sales increased marginally by 5% to Rs 160.96 crores. While gross profit rose by 31% to Rs 7.97 crores, pre-tax profit moved up 53% to Rs 1.58 crores. However, in spite of a higher tax burden of Rs 41 lakhs (Rs 16 lakhs), post-tax profit increased 36% to Rs 1.17 crores. The company has proposed a 10% dividend.

The margins from the textiles division of the company were under pressure due to higher input costs. However, its chemicals division recorded an impressive increase of 16% in turnover.

TELCO

DIVIDEND HIKED

The Tata Engineering & Locomotive Co. Ltd. (Telco) has increased its dividend to 25% this year, as against 23% last year. This higher dividend is payable on an enlarged capital following the conversion of bonds into shares.

According to Ratan Tata, who has now replaced Sumant Moolgaokar as Telco's chairman, the board has decided to split the company's shares of Rs 100 each into 10 shares of Rs 10 each.



THE TATAMOBILE: MORE WILL ROLL OUT THIS YEAR

For the year to 31 March 1989, Telco earned a gross profit of Rs 128.28 crores (Rs 70.27 crores in 1987-88). Sales and other income increased by 20% to Rs 1,676.42 crores from Rs 1,402.55 crores.

Tata describes this year's prospects as "encouraging," despite the labour problems at the Pune complex. Production has improved and capacity utilisation has risen to 75% from 40%. The production of the Tatamobile, the pick-up vehicle launched last year, should rise to about 5,000 this year, Tata said.

INDIA STEAMSHIP

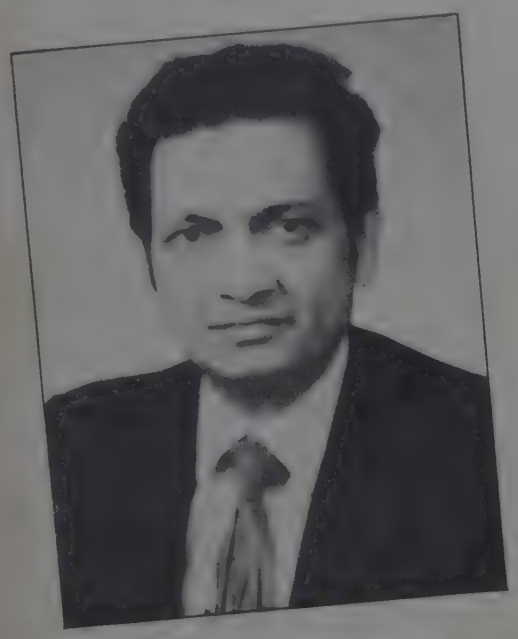
SMOOTH SAILING

India Steamship Co. Ltd. (ISCL), has sailed through turbulent times if the results for the year ended 31 March 1989 are any indication. It has notched up a 11% increase in total income over that of the last year to Rs 92.41 crores. Profit before depreciation rose by a phenomenal 850% to Rs 22.70 crores (Rs 2.39 crores). ISCL has been left with a handsome surplus of Rs 11.61 crores against a loss of Rs 7.69 crores.

RAMPUR DISTILLERY

IN HIGH SPIRITS

Rampur Distillery & Chemical Co. Ltd. has shown excellent performance for the nine months ended 31 March 1989. Turnover stood at Rs 34.80 crores as against Rs 37.76 crores in the previous 18-month period — an 84% rise on



KHAITAN PUT UP A SPIRITED PERFORMANCE

an annualised basis. Gross profit when annualised leapfrogged 170% from Rs 2.72 crores to Rs 3.68 crores. Post-tax profit zoomed up to Rs 1.46 crores against a loss of Rs 26.5 lakhs last year.

Lalit Khaitan, managing director, Rampur Distillery, attributes the good show to the substantial increase in capacity utilisation. The fertiliser unit achieved a capacity utilisation of 115% as against 72% in the previous accounting period. The distillery unit functioned at 87% capacity, almost double that of last year.

BOOTS CO

SATISFACTORY RESULTS

The Boots Co. (India) Ltd. has reported satisfactory results for the year ended 31 March 1989. The dividend has been hiked to 23%, as against 22% paid for the 15 months ended 31 March 1988. (The annualised rate for 1987-88 works out to 17.6%.)

The operating income in 1989 was Rs 62.75 crores as against Rs 70.66 crores for the previous period. Gross profit stood at Rs 8.49 crores. After setting aside Rs 1.14 crores for depreciation and Rs 2.93 crores for taxes, the post-tax profit worked out to Rs 4.43 crores. This was higher than the Rs 4.01 crores of 1987-88.

The major drugs marketed by the company sold well last year. A new anti-peptic ulcerant drug and an anti-rheumatic formulation were also launched.

The company is setting up a Rs 5-crore formulation plant at Jejuri in Pune district. The Maharashtra Industrial Development Corporation has allotted 30 acres for the purpose.

RUCHI SOYA

NEW EXPORT THRUST

Ruchi Soya Industries, which stepped up its export turnover from Rs 2.79 crores last year to Rs 9.48 crores in 1989, has applied for recognition as an export house. The company, which manufactures soya foods brandnamed Nutrela, soon proposes to set up a 100% export-oriented unit.

Ruchi Soya started out as an exporter of soya products, but now ships a variety of agricultural products to Japan and Europe.

MADURA COATS

SALES INCREASE

Madura Coats Ltd. has turned in a fair performance in the nine months ended March 1989. Sales increased 8.3% on an annualised basis to Rs 210.04 crores from Rs 258.49 crores in the previous 12 months. Exports contributed Rs 28.93 crores (Rs 39.04 crores). There has been significant improvement in margins, as gross profit before depreciation and interest has risen 17.58% when annualised. The figure for the nine-month period is Rs 31.65 crores (Rs 35.89 crores). The company has decided to pay 25% dividend which works out to 33.33% (30% in 1987-88) on an annualised basis.

The chairman and managing director W.T. Drummond attributes the improved profit margins to good product mix, modernisation, introduction of new technologies and products, enhanced direct exports and withdrawal from unprofitable segments.

According to Drummond, in the next three years, the focus would be on new products, particularly in industrial fabrics (thermal bonded non-wovens and light synthetics), thread accessories, and readymade garments — the Louis Philippe and Elysee range — in the domestic market.

DRUMMOND DRUMMED UP HIGHER PROFITS



NEW SERVICES

■ **Eastern Steamships Pvt. Ltd.**, will now represent Jardine Shipping Services, a multinational shipping company based in South-east Asia. Eastern Steamships will promote Jardines' shipping agency, surveying and shipbrokering businesses in this country.

■ Holtec Engineers Pvt. Ltd., a New Delhi-based engineering consultancy company which operates in collaboration with the Holderbank group of Switzerland, has now set up a management services division styled **Holind**.

Unlike most other companies which enter the field of management consultancy through the 'auditing route,' Holind plans to use the technical strength of Holtec as a launching pad.

Thus, Holind's thrust areas will be information technology, vocational training, energy technology, environment management, technology acquisition and transfer, and corporate strategy.

NEW PRODUCTS

■ Marketers are increasingly beginning to tap the potential of children as consumers. One of the most astute is **Hindustan Cocoa Products Ltd. (HCPL)**, the manufacturer of Cadbury's chocolates. Recognising that kids are big consumers of its products, the company has been sponsoring several activities that involve children such as the 'school athletic meet' and the 'Bournvita quiz contest'.

Now, HCPL has moved one more step in this direction by launching 'The chocolate story', a film that begins with the origins of cocoa and extends to the manufacture of chocolates. Initially screened in schools, the film has now been recorded on video in collaboration with Garware Children's Video, and is presented together with three fairy tales.

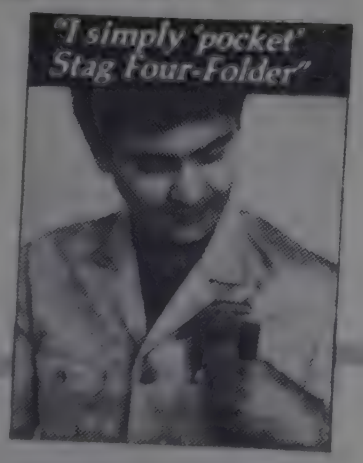
HCPL claims the release of the video cassette will mark yet another first for the company — of using the video medium to "educate" children about chocolates. But the crucial question is: will the kids bite?

■ An umbrella that fits into a pocket? That's just what Bombay-based **Ebrahim Currim & Sons**, manufacturer of 'Stag' brand umbrellas, has launched.

Styled the "tri-folder," the umbrella is just eight inches high, slightly larger than the "four-folder" launched last year, which was about seven inches.

The company, in addition, has launched the 'Stag Tube' umbrella (in which the cover doubles as a handle) and the Stag 'double automatic.' For more details, contact: Mechanix Marketing Associates, 17G Gitanjali, Colaba, Bombay 400005.

THE POCKET-SIZE STAG UMBRELLA





AGA (RIGHT) PRESENTING THE THERMAX TROPHY

AWARDED

■ The ordnance factory at Dehu Road has won the Thermax trophy for the best case study presentation at the annual convention of the Quality Circle Forum of India (QCFI), western chapter.

R.D. Aga, chairman of Thermax Ltd. and the QCFI, presented the trophy to representatives of the factory at a convention in mid-June.

Among the other winners of awards were the ammonia plant of Rashtriya Chemicals & Fertilizers, Bombay, and the quality circle of Bharat Forge, Pune.

The prize-winning case studies will be presented at the international convention of quality circles to be held in New Delhi later this year.

NEW SCHEMES

■ The **Unit Trust of India** proposes to launch Masterplan, an equity linked saving scheme, in keeping with finance minister S.B. Chavan's announcement in his budget speech this year.

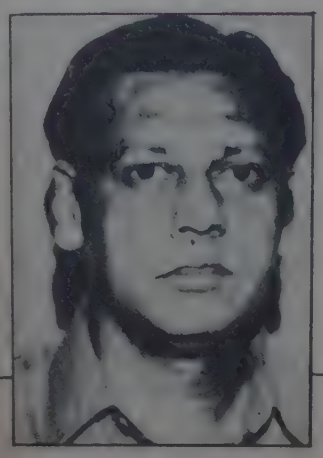
Masterplan will provide benefits of investment in equity and also 100% tax deduction on investments up to Rs 10,000. This will be in addition to deductions available from other tax-saving schemes.

According to a UTI announcement, the trust will use its expertise to manage the equity portfolio. A person will be allowed to join only one plan in a financial year. Payments may be made in lumpsum amounts or in instalments during the year. In order to avail of the tax benefits, the investment must be left untouched for three years.

■ **Air-India** has developed and is marketing a professional trainer's kit for the new airline currency system which was introduced on 1 July. The kit has already found several buyers among international airlines and travel agencies.

The new system, initiated by IATA, should simplify international fare calculations, which have become increasingly complex over the years. Until recently, all basic fares were calculated in US dollars or pound sterling, and pegged at 1973 exchange rates. Currency adjustments were then applied to these rates to arrive at local selling fares. The new system, however, is based on local currencies, and eliminates frozen exchange rates.

COAL & LIGNITE PROJECTS



The earlier articles in this series on the coal mining sector had discussed the projects of Coal India's subsidiaries. This time we take up the projects of Singareni Collieries Ltd., Neyveli Lignite Corp. Ltd., Gujarat Mineral Development Corp. Ltd., and Indian Iron & Steel Co.Ltd.

Singareni Collieries, Neyveli Lignite, Gujarat Mineral Development Corp., and Indian Iron & Steel have several projects under implementation

Singareni Collieries Co. Ltd.(SCCL) is a joint venture between the Andhra Pradesh (AP) and Central governments. Headquartered at Kothagudem in the Khammam district of AP, SCCL is responsible for the development and operation of all coal mines in that state. The company currently produces only non-coking coal. SCCL is undertaking many new schemes, both open cast and underground, which are discussed below:

- The 0.35 million tpa Bellampalli open cast project in Adilabad district is now under development. The project is estimated to cost Rs 11.28 crores.
- The 0.57 million tpa Godavari Khani No.10A is under implementation in Karimnagar district. The project, which has been considerably delayed due to adverse geo-mining conditions, may be completed in 1992.
- The company has proposed to undertake the implementation of the Goleti project by adopting Longwall technology. The coal mine will have a capacity of 0.76 million tpa and is estimated to cost Rs 68.06 crores. In early 1989, the project was still in the planning stages.
- SCCL is undertaking the development of the Kakatiya 1 & 1A underground projects which will have a total capacity of 0.3 million tpa. The projects, estimated to cost Rs 13.27 crores, had just begun to be implemented in early 1989.
- The 2.75 million tpa Manuguru-II open cast project is being implemented at a cost of Rs 156 crores and may be completed during 1991.
- The Ramagundam-II open cast project, which will have a capacity of 2 million tpa, is expected to cost Rs 149.53 crores. The project is linked to the Ramagundam super thermal power station. West Germany will provide the input pit crushing technology besides partial funding. The project is scheduled for completion during 1994.
- SCCL is also implementing the Yellandu coal mining project in Khammam district, which employs Longwall technology.

Singareni Collieries plans to implement a number of schemes during the Eighth Plan. These include:

- The Chirmur 1 and 1A incline project has a total capacity of 0.9 million tpa and is estimated to cost around Rs 60 crores.
- The 0.54 million tpa Godavari Khani No.10 project is proposed to be implemented with French cooperation.
- The Manuguru III open cast project has been okayed by the inter-ministerial group, but is yet to receive environmental clearance.
- A modernisation and development programme at the Prakasham Khani No.1 & 2, with technical assistance from the Soviet Union.
- The 2.75 million tpa Ramagundam III open cast project in Karimnagar. The project has been cleared by the inter-ministerial group.
- The Ravindra Khani. New technology may be introduced here to raise the capacity to 0.76 million tpa. The scheme is expected to cost around Rs 70 crores.

Neyveli Lignite Corp.Ltd.(NLC), an independent company under the department of coal, primarily undertakes the development and operation of lignite mines in Tamil Nadu. At present, its area of operation is limited to the South Arcot district, but this may spread to other parts of the country, especially Pondicherry, Rajasthan and Jammu & Kashmir.

NLC is in the process of implementing and planning a few new schemes which are discussed below:

- The company is expanding its second lignite mine from the existing 4.7 million tpa to 10.5 million tpa. The Rs 985.84-crore expansion scheme is being partially funded by West Germany.
- NLC has submitted a proposal to take up an expansion scheme at its first lignite mine. The capacity is proposed to be increased from 6.5 million tpa to 10.5 million tpa. A feasibility report has already been prepared. Technical and financial assistance is being sought from the German Democratic Republic.
- A feasibility report has been prepared for establishing a new lignite mine (No.3) which envisages a capacity of 11 million tpa. Preliminary cost estimates have been placed around Rs 1,915 crores.

NLC has reportedly signed a memorandum of understanding with the government of Rajasthan to exploit lignite reserves in Bikaner. A mine with a capacity of 2 million tpa has been proposed. The project is yet to take concrete shape. NLC is also likely to take up lignite development work in Bihar, Pondicherry, and the Tiruchirapalli district of Tamil Nadu.

Gujarat Mineral Development Corp. Ltd.(GMDC), a government of Gujarat undertaking, also mines lignite. GMDC is about to complete an expansion programme at Panandhro in Kutch district. The capacity of the existing lignite mine is being raised from 0.8 million tpa to 1.65 million tpa at a cost of Rs 100.4 crores. The mine is linked to the Panandhro thermal power scheme. An East German company has supplied equipment for the project.

Indian Iron & Steel Co. Ltd., which has captive coal washeries, has undertaken a reconstruction and development programme at Chasnala near Dhanbad and at Jitpur.

■ *P.V. Satyanarayana*

The author is a Bombay-based management consultant.

BEYOND THE MILKY WAY





NDDB'S PRODUCT RANGE. INSET: KURIEN

His post-diluvian pursuits are more of the same but on a grander scale. After Operation Flood, its main architect Verghese Kurien is spreading his cooperative message to a host of new areas. In the process, the Anand (Gujarat)-based National Dairy Development Board (NDDB) has long outgrown its name. Today, it is actively involved in oil and oilseeds, fruits and vegetables, salt, and trees and fodder. Tomorrow, it expects to take power distribution in its stride. A once-small town in Gujarat has become an exciting place for ideas and activity.

"We are asked to do these things because we dare," says Kurien. "It is the challenge which enables NDDB to grow. An organisation should not be afraid of venturing into new territories. It is good for its soul and character" (see interview, p.78.)

This year NDDB has taken up a major challenge and emerged with flying colours. Asked by the Union government to conduct a market intervention operation in oil and oilseeds, it has pumped in a whopping Rs 400 crores in the purchase of these items. "This year farmers got at least Rs 1 per kg more for their oilseed," says managing director (development) R.P. Aneja.

In a way NDDB, as has been its wont, jumped the gun. The organisation started support operations in the third week of March even though the formal government orders came only on 10 April. "The trade was expecting us to move slowly," explains Aneja. "They thought that a government organisation would have to advertise to recruit people; it would take time. We took them by surprise." The trade presumed it was business as usual. The result: a prominent Gujarat operator has gone bankrupt and several in Bombay are licking their wounds.

EXPLOITATIVE PROCESS

But people in NDDB are not losing any sleep over the trade's travails. "They have become exploiters," says Kurien. The *modus operandi* is simple. At the beginning of the season, spread rumours of a bumper crop and offload what remains of last year's stocks. The prices come crashing down and the farmer has to sell at rock bottom. Then, when all the crop has been bought, the rumours doing the rounds are the opposite. Last minute rains have damaged the crops, pests have been making inroads, etc. Eventually, the consumer pays a high price, the farmer gets a poor deal and the middleman makes a killing.

This year, thanks to NDDB, they have come a cropper. "The crop was even better than estimated," says Aneja. "But the farmers did not have to resort to distress sales at support price."

But NDDB does have a bit of a problem right now. It is sitting on Rs 400 crores of oil and oilseeds. "I am worried about mustard oil," admits Aneja. "We may have too much of it."

The problem has been partly aggravated because the use of mustard oil in vanaspati manufacture has been disallowed from 1 June. "We will have to create a market for refined mustard oil," says Aneja.

But the oil mountain is not causing too much heartburn. NDDB already has a clutch of oilseed growers' cooperatives under it with a processing capacity of 7 lakh tonnes. Some of the brands owned by the state-level federations have made their presence felt. And, says Aneja, "each cooperative is doubling its effort on brand marketing."

Milk monarch V. Kurien has now outgrown the title. Under him the National Dairy Development Board has made major forays into oilseed, fruits and vegetables and afforestation. These are only some of the quivers to his many-splendoured bow

"THE IAS DOES NOT HAVE MISSIONARIES; I HAVE"

At a ripe age of 68, when most other people are hanging up their boots, Verghese Kurien is looking for new areas where he can spread his message. As a man he has been a bit of a maverick, thinking nothing of stepping on other people's feet to get his way. Much of his life he has had to work against vested interests. Understandably, he has made a lot of enemies and accolades by the score have had their flip side in trenchant criticism. But, despite it all, Kurien, chairman of the National Dairy Development Board (NDDB) and milkman to the nation, has emerged a success. In an extensive interview to BusinessWorld, *Kurien spoke about his mission and the new directions his drive is taking him. Excerpts:*

■ On the progress of Operation Flood III which is currently underway.

The progress has not been satisfactory. For any cooperative structure to be considered successful, it ought to be financially viable. Many of the cooperatives we have started are not financially viable. We have to make them viable during the Operation Flood III period (1987-1994).

Apart from this, a cooperative is not a cooperative if it is full of deputationists and IAS officers. I would consider it viable only if it can generate its own staff.

Lastly, for it to be truly a cooperative, it should be controlled and directed by itself and not the government. Wouldn't you think it absurd if Telco or Tisco were to be run by the registrar of companies in Bihar? What would he have done to this gentleman called J.R.D. Tata? But in a cooperative, God is the registrar. Next is the non-official chairman. I have discussed the matter with the prime minister and he agrees that cooperatives should be restored to their members. But...

■ On why this has not been done.

These are not problems that cannot be solved. These are problems of former colonies of imperial powers. They did not trust the natives. They created a God who had all the powers — the ICS officer who was white. This was their way.

Then the brown sahib came. He found it nice to play God. His political master found it extremely pleasureable to play the boss of God. This is their way.

■ On the oilseeds mission.

The problem with oilseeds was that too many ministries were involved. For the first time all these ministries have to sit around a table. They can't say send me a note and forget about it.



■ On the oilseeds market intervention programme.

We have always had these "gentlemen" — I will call them gentlemen within inverted commas — between the farmer and the consumer. They played a useful role once. But after the population explosion and urbanisation they discovered that if they bought and sold, they made money; if they bought, held it and sold, they made more money; and if they bought, speculated and sold, they became millionaires. They have become exploiters.

We started operating at the beginning of the season. We have bought oil and oilseeds worth Rs 400 crores. We have succeeded by and large in maintaining the price to the farmer.

■ On the dairy development technology mission.

We initially thought it was unnecessary. We did not need a mission; what were we but a bunch of missionaries. We delayed, but the final thinking was that a mission would help. They said you be the chairman of the mission. So I am the chairman. Secondly, they agreed that the headquarters would be in Anand. It was a great concession. The IAS does not have missionaries; I have.

■ On the criticism that Operation Flood has survived on milk powder imports and that the white revolution is a white lie.

What are these great imports — 15,000 tonnes of milk powder. I get it as a gift. I don't pay for it. This is my way of funding my projects.

Why do you (the critics) not talk about imports before Operation Flood?

Where is your mouth when 1.6 million ton-

Our expertise (at NDDB) is to do a difficult job giving the impression that it is effortless. That's style; that's class; anybody can do it huffing and puffing

nes of vegetable oil is imported? Where is your patriotism when sugar is imported?

The critics haven't done a single useful thing in their life. They don't know how many tits a cow has.

■ On the vegetable and fruit venture.

The *sabji* business is worth Rs 500 crores in Delhi alone and all of it is unaccounted money. We were asked to see what we can do. We put in Rs 35 crores of our own money. We have a cold storage spread over 4 acres, bigger than all the cold storages in the country put together. It is totally computerised — every banana is controlled by a computer. Our operations in Delhi are doing very well and we are planning a national vegetable grid.

■ On the ethos at NDDB.

Our expertise is to do a difficult job giving the impression that it is effortless. That's style; that's class; anybody can do it huffing and puffing.

We are willing to take risks. We are asked to do things because only NDDB would dare. We are a bold institution but we are not foolhardy. We set an example.

■ On the succession issue at NDDB.

I have two managing directors. They have been given a better exposure than I have had. They are better than me. Kuriens are not born this way. We are shaped by the experiences we go through.

But there is a question whether anyone should be chairman for as long as I have. It becomes difficult to replace him.

What the chairman achieves depends on the support he gets from the government. All prime ministers have been generous with their support for me. I have been able to talk to them. If my successor gets access, he will succeed.

NDDB itself has launched a brand styled Dhara in New Delhi and Bombay and it is reported to be doing much better than expected. It ought to: it is priced lower than competing brands. "We operate on low margins," says Aneja. "We don't have to drive Cadillacs."

The drive into oilseeds was something which could have been predicted as far back as 1977 when the Union government asked NDDB to explore the possibility of extending the Anand pattern cooperative concept to this sector. "We started the project in 1979," says managing director (operations) Amrita Patel. "It was funded by a gift of oil from the US which generated Rs 200 crores." Today, the project has spread its tentacles to seven states and two more are to be added very soon. Another 3 lakh tonnes of crushing capacity is on the anvil, which should take the total to 10 lakh tonnes.

With some sort of infrastructure already in place, plans are afoot to set up an oil grid. This could cost as much as Rs 100 crores but, once in place, will eliminate artificial shortages in different parts of the country.

FRUITY FORAY

If the oilseeds venture has a history and should thus not raise any eyebrows save in the increasing magnitude of the operations, the same is not true of the foray into fruits and vegetables. This is just a couple of years old and is currently limited to Delhi.

"This is the first experiment of its kind in the world," says Patel. "Nowhere else is procurement linked to marketing."

Limited though it may be geographically, NDDB has made a big beginning. "We have put in Rs 35 crores of our own money," says Kurien. "We have a cold storage spread over 4 acres, bigger than all the cold storages in the country put together. It is totally computerised — every banana is controlled by a computer."

It is a massive job all right. Unlike milk, which needs little by way of gradation, vegetables can give seekers of uniformity nightmares. "You have 30 different varieties of produce, all of which have to be stored differently," says Patel. "They come in various shapes and sizes. Beans, peas and wretched potatoes, no two of which are alike."

"There is a tremendous amount of research to do," she adds. "And the scale of operations is massive. It will be much bigger, much more important than milk." Adds Kurien: "The *sabji* business is worth Rs 500 crores in Delhi alone."

Delhi is just the tip of the iceberg. There, NDDB has already flagged off its initial retail outlets and has plans to eventually set up 125 of them. But the gameplan is much more grandiose — a vegetable grid encompassing 10 to 15 cities and cooperative societies all over. Currently, however, the systems are being tried out. "So far we have not formed any cooperatives as we are not certain of the economics of the operation," says Patel. "It is our second most difficult venture."



Traders expected us to move slowly. (But) we took them by surprise

R.P. Aneja

managing director (development)

Most difficult, according to her, is a much more imaginative initiative — the tree growers' cooperative project. This too is of fairly recent vintage, the pilot project having been launched in August 1986.

What makes the tree growing exercise vastly different from the others is that there are no immediate benefits



for the members of the cooperatives. Besides, the land for the purpose is leased from the government, so there is no question of ownership either.

"We use common grazing land," says project manager V.K. Mishra. "So that much area is closed to grazing. We have to teach the villagers the advantages of self-restraint in grazing."

That's a difficult job. But there is an even bigger hurdle. "The land lease procedures are very, very cumbersome," says Mishra.

On the face of things, the project has very little going for it. "People are not used to growing grass," adds Mishra. "Trees are not treated as a crop." But with half of India's landmass already classified as degraded and fuelwood and fodder fast becoming scarce commodities, "it is a zero option situation," says Patel.

MAJOR BOOST

Some headway has been made against the odds. About 50 cooperatives have been registered though many of them are yet to get the land. But the project already has a showpiece in Kheda (Gujarat), the place it was flagged off. "It just proves what can be done," says Mishra. Besides, the Canadian International Development Agency is chipping in with Rs 50 crores (in the form of paper and pulp) and the Swedish International Development Agency with another Rs 60 crores. So there should be enough in the kitty to give the project a major boost.

Everything we do hurts someone. When you try to bring about change, you find vested interests

Amrita Patel

managing director (operations)

But no miracles need be expected overnight. "We find vested interests everywhere," explains Mishra. "They have been using the land for years and are unwilling to share with others. When we go to hold meetings to explain things to villagers, there are disruptions, stone-throwing ... our people have been threatened and worse."

But that is the lot of a path-breaker and nothing new for NDDB. "Everything we do hurts someone," says Patel. "When you try to bring about change, you find vested interests."

This has to a large extent been responsible for the constant flak Kurien and NDDB have been facing. The misinformation campaigns have often been pinned down (see *BW*, 'The case for the defence,' 13-26 February 1984) but they surface repeatedly nevertheless. Kurien himself now seems inured to the criticism. "The critics ha ven't done a single useful thing i their lives," he says. "They don' know how many tits a cow has."

That is a charge one cannot leve against Kurien who has, above all hands-on experience. In a quarter de cade he has made NDDB a force to be reckoned with, an institution which can venture into areas where nobody else would dare. Consider the latest venturesome scheme up his sleeve — a sortie into power distribution. Again, the plan is superficially simple; the trouble will come in the nitty-gritty.

"I discovered when I was the chairman of the Gujarat state electricity board (SEB) that an average farmer had a bill of Rs 3," he says. "But to prepare the bill cost Rs 5 under the huge machinery called the SEB."

The solution: dismantle the machinery. Under Kurien's scheme of things, there will be a meter set outside each village. The SEB will collect power charges from the village as a unit while the villagers will form a cooperative which will collect from individual members. "In this way pilferage of electricity will also be stopped," says Kurien. "It is considered honourable to steal from the government. It is not honourable to steal from your neighbour."

VILLAGE COOPERATIVE

Each house will have its own meter so that the owners pay for the power they use. The employees will belong to the village-level federation so that it is not possible for somebody to hare off to do some moonlighting in another village (a very common practice now) when he is officially on duty elsewhere. "He will be accountable to the cooperative which can hire or fire him," says Kurien.

The village level cooperative is only for starters. Eventually, every substation will have a meter outside it with the rest of the distribution being handled by cooperatives. "The SEBs should stick to what they are supposed to do — generation, not distribution," says Kurien.

All this is not just a Utopian fancy. The power cooperative proposal is actually the result of a plea from the Gujarat SEB and it has received sundry blessings on the way to a final go-ahead. Currently, the plan is awaiting the approval of the Central Electricity Authority. "These things

The power cooperative proposal is actually a result of a plea from the Gujarat state electricity board and it has received sundry blessings on the way to a final go-ahead

take time," says Kurien. "You know how bureaucracy works."

If Kurien has a lot of uncharitable things to say about bureaucracy, he has good reason to. Currently, his most cherished offspring — Operation Flood — is running into roadblocks because of red tape.

"The progress of Operation Flood III has been slower than expected," says Patel, and Kurien is quick to second her. Patel explains that Operation Flood III is intended to consolidate the achievements of the first two phases. With this in mind NDDB has laid down strict conditions before giving aid to the state-level federations.

First of these is that elections must be held regularly. Secondly, the managing director must be a professional manager. Thirdly, the accounts must be audited. Last, but not the least, the Cooperative Societies Act must be amended. Things have been moving at snail's pace on all fronts.

On the most important head — amendments to the cooperatives' act — there is a further problem: being a state subject, it needs separate amendments everywhere. "All these things remain to be done," says Kurien. But he is hopeful. To help things along, he has also started cracking the whip. "We have been withholding payments to states," he says. "We had to use our clout and our clout is only money."

PLENTY OF MONEY

And money is something which NDDB does not lack. While it is not too willing to go into hard figures about its bank balance, the Rs 400 crore venture into oilseeds shows that it has the moolah and enough to spare. It is precisely this which makes the NDDB chairman's job — a post which Kurien has so ably filled — a plum posting. In Anand, the subject is a bit of a non-issue: "We expect Kurien to carry on for quite some more time," says everybody.

But in Delhi a certain amount of jockeying has begun. The grapevine has it that Kurien's successor will be a political appointee. "What's wrong with that?" asks Kurien. "There are good politicians and bad politicians."

Others are not so sanguine. "That would be a setback," admits Aneja. "We are all dreamers here and Kurien is the biggest dreamer of us all. But why speculate? There are enough people who would not like to spit on a clean floor."

But a clean floor is precisely what some would like to besmirch. NDDB is an oasis of efficiency and activity in a public sector pantheon of profitless pachyderms. "There are people who would like to bring us down to the common denominator level," says a senior NDDB official.



MILK BEING RECEIVED AT AMUL PLANT

Kurien himself is not worried. "It is the government policy to fill top positions from within," he says firmly. "I have been given a halo. Kuriens are not born this way. We are shaped by the experiences we go through." His conclusion: others can better his performance.

But, if truth be told, the NDDB brass is too busy with its manifold activities to bother much about the succession issue. Anyway, it has fewer people to keep the wheels moving. After the merger of NDDB and Indian Dairy Corporation (an outfit set up to handle imported milkpowder) in October 1987, manpower was reduced from 1,511 to 1,035. (The 476 departees left under a voluntary retirement scheme.)

And, the grand designs apart, there are numberless smaller arenas in which NDDB is actively involved. It has got into salt with the Sabarmati Salt Farmers' Society in Gujarat. A brand styled Suryog is slated for launch soon. Through Sugam Dairy, which it manages, NDDB has launched Sugam ice-cream in Baroda. "It is priced 40% less than the leading brand," says Aneja. "The response has been so good that we are increasing capacity."

Aneja has grand plans for Sugam ice-cream. "We want to do an Ahmedabad on Ahmedabad," he says, referring to the Nirma tradition of that city of producing cheap products and capturing the market.

That's the first course. On the anvil are branded peanuts, soya meal, processed foods ("not junk food," says Aneja vehemently), milk-based sweets and much more.

NDDB under Kurien does not mean milk and butter any more. It is a saga of ever-expanding horizons. "We are a bold institution," says Kurien. "We set an example." It is a measure of his achievement that nobody else has been able to build on the example and set up a similar, all-pervading structure. Operation Flood has inspired a different sort of deluge which bids fair to cover the whole country in its benevolent wash

■ *Parthasarathi Swami*

TECHNOLOGY

UNCLE SAM'S HELPING HAND

The US, for the first time, is leaning towards a planned marriage between government and business as the way to win back its lead in technology and reverse its near-chronic trade imbalance. US success in this field could have a long-range impact on manufactured exports from Asia.

At a congressional hearing on competitiveness in May, commerce secretary Robert Mossbacher said the US was in a "competition for economic survival" with Japan and called for a new philosophy and strategy to deal with the challenge — "an industry-led, business-government partnership." In another speech, he said the US "must consider reforming anti-trust laws so that consortiums ... and other innovative entities can pool research teams from small and large firms to take on the European and Japanese giants."

As the launching of the first Soviet satellite in 1957 brought an outcry of a "missile gap" and galvanised US space efforts, the evidence of a Japanese lead in the new generation high-definition television (HDTV) has become the catalyst in bringing a radical departure from the supply-side philosophy held by the Republican administration.

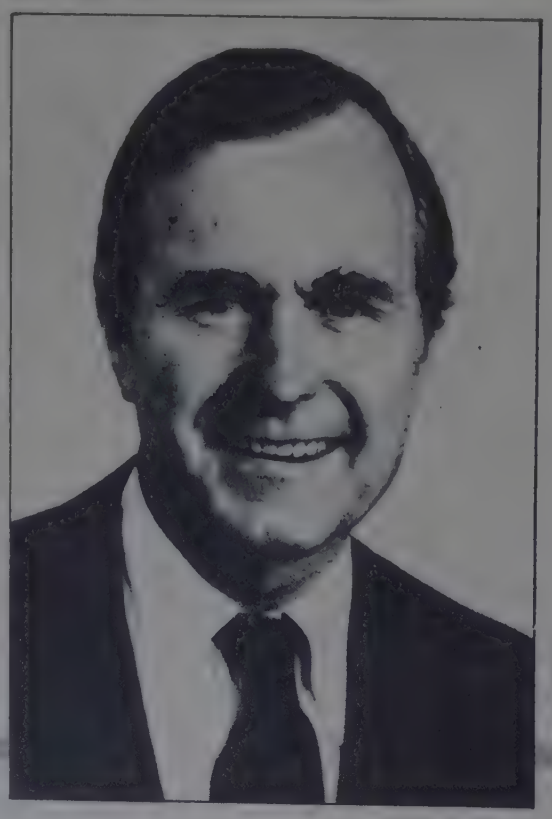
Mini-Miti. There is also a move to set up a mini-counterpart of Japan's Ministry of International Trade and Industry (Miti) by upgrading the National Bureau of Standards into a National Institute of Standards and Technology which not only will continue to provide important support technologies to US industry, but will also encourage greater private sector research.

While the administration has called publicly for changes in the anti-trust law to facilitate joint research and production of HDTV, the American Electronics Association, representing the most influential segment of the US industry, has urged the government to provide $ 1.3 billion (Rs 2,119 crores) in federal assistance, loans and loan guarantees to a consortium to produce HDTV. This is in addition to $ 30 million in research grants that a Pentagon agency would provide to US companies to develop HDTV for military use.

The US government is looking towards backing the private sector both financially and technically in a bid to regain its technological edge from Europe and Japan

A coordinated US effort in research and production of HDTV would have far-reaching consequences on the hi-tech industries of Japan, South Korea, Taiwan and other Asian countries which have benefited from the "hollowing out" of US manufacturing. Once high-definition technology and engineering techniques were developed, the US would be likely to hold tightly to the technology, depriving Asian exporters of the access they currently enjoy.

WILL BUSH GIVE TECHNOLOGY A PUSH?



The reason HDTV — which produces movie-like sharp images and compact-disc quality sound — has sparked such intense concern is because it is a catalyst for leading-edge technologies with wide-ranging applications. As Mossbacher put it, "HDTV and its underlying technologies will have a major bearing on the entire hi-tech and communications revolutions. It will affect military developments in the coming decades." The US simply cannot afford to let its industries lose in the race.

According to recent studies, when HDTV comes to the market in the 1990s, it may account for 40%-50% of worldwide sales of the next generation of semiconductors. The company or country that controls the architecture and design of that product will be able to control the architecture and design of the next generation semiconductors destined for use in that product.

Jack Koehler, vice-chairman of IBM, told the congressional hearing that investment in HDTV was crucial if the US industry did not want to leave the development and manufacture of consumer electronics to the Pacific rim countries which now dominate the US market.

Arguing that the Japanese have already spent $ 700 million and the Europeans $ 300 million on HDTV, some congressional leaders have urged the administration to back industry's call for financial aid. Mossbacher said that there would have to be a combination of private companies and the government, but the private sector would have to take the lead. "Given the budget deficit, it is difficult to see how the administration could recommend giving any money," said Marion Blakey, Mossbacher's spokeswoman.

New teeth. Whether an electronics industry consortium receives heavy federal funding or not, the proposed relaxation of anti-trust laws is going to give US industries new teeth to compete with Japan and Europe in many of the highly contested grounds.

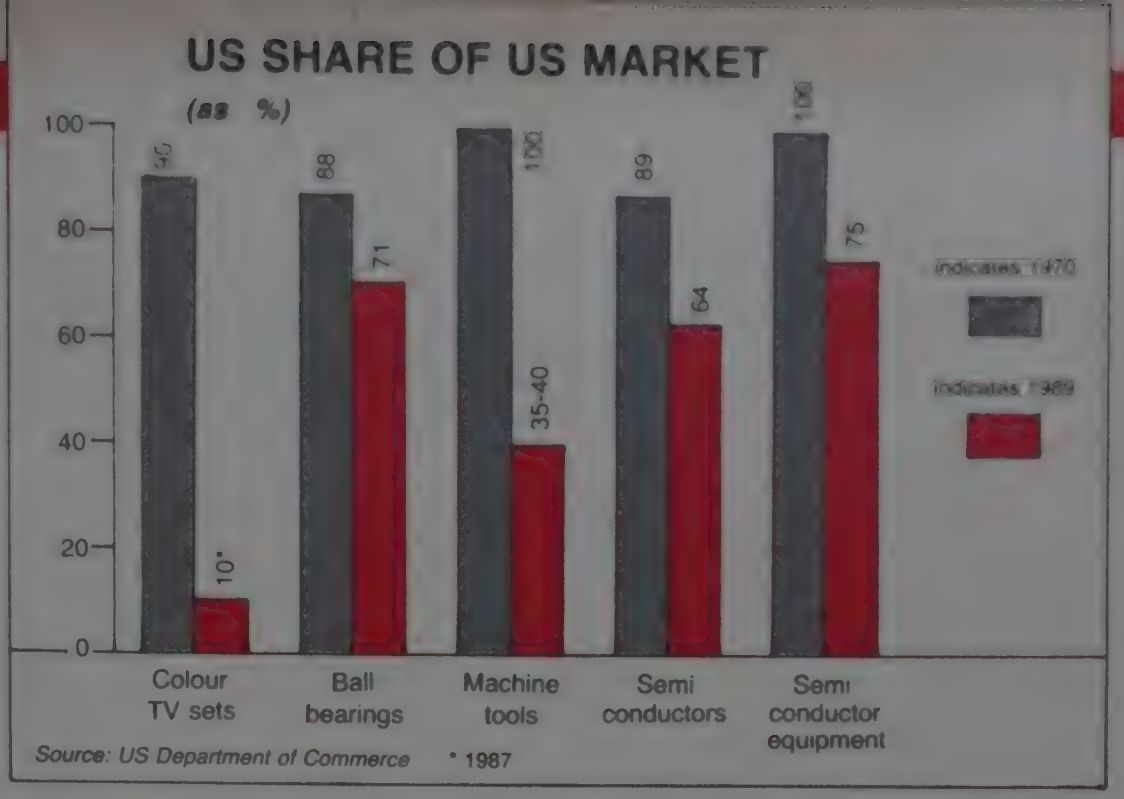
The formation of a HDTV consor-

tium composed of electronics industry leaders such as IBM, AT&T, Motorola, Hewlett-Packard, Apple and Ovonic Imaging is, however, the continuation of a process begun several years ago. In the early 1980s there was talk of creating a US equivalent of Miti. The country's continuing trade deficit has led to renewed calls to imitate Japan. Last year in a report titled "Paying the Bill: Manufacturing and America's trade deficit," the congressional Office of Technology Assessment (OTA) sounded alarm bells. Unless efforts were made to rejuvenate US manufacturing through export promotion and appropriate policies, reducing the deficit by cutting imports would bring recession.

The OTA report pointed out that though television was invented in the US, only one US-owned company now made colour TV sets, with most of its production coming from Mexico. There is no US manufacturer of video cassette recorders (though they were invented in the US) or compact disc players. In 1987, the third-largest item in the US trade deficit (at $ 22 billion) was semiconductors, telecommunications equipment and consumer electronics.

Against the backdrop of US trade and technology woes there has been fresh attention paid to old laws. The object of anti-trust law was to protect competition. But the globalisation of the economy and rapid changes in technology have made the legislation a hindrance to competition. In the face of challenges from government-backed foreign firms, small US companies hamstrung by anti-trust law have to drop out of competition, says one analyst.

In February 1987, a Defence Science Board task force issued a report pointing to the possibility of "dangerous diminution" of US ability to produce technlogically superior weapons arising from the weakness of US electronics technology. A major reason behind Japanese success in this field, the report noted, was their "effective combining of both competitive and cooperative R&D activities" under the leadership of Miti. The report recommended that the US defence department should support the establishment of the Semiconductor Manufacturing Technology Institute which would develop, demonstrate and advance the technology base for efficient, high-yield manufacture of



advanced semiconductor devices and to provide facilities for production of selected devices for defence needs. Industry would make the initial contribution of $ 250 million and the government would support it with $ 200 million a year for five years.

Recommendations. The latest move on HDTV follows a second report on the US decline in technology. In his report to the defence secretary in October 1988, the chairman of the Defence Science Board study group, Robert Fuhrman, said "America faces an increasing loss of technological leadership to both our allies and adversaries ... The principal problem is a significant difference between industry's capabilities and the tasks which national security plans assume it can perform." They recommended that the president set up an industrial policy committee, chaired by the national security adviser. The committee will compare the tasks which the national security plans assume industry can perform with industry's capabilities and will recommend specific legislative, regulatory and resource initiatives which would resolve the differences.

What has changed the US government's line of thinking is the fact that the Japanese have taken a lead in high definition television

The group also recommended participation by the secretary of defence in national economic policy decisions. As a first step in that direction, the Defence Advanced Research Projects Agency, a research arm of the Pentagon, has invited bids from private companies to take up $ 30 million for research on HDTV.

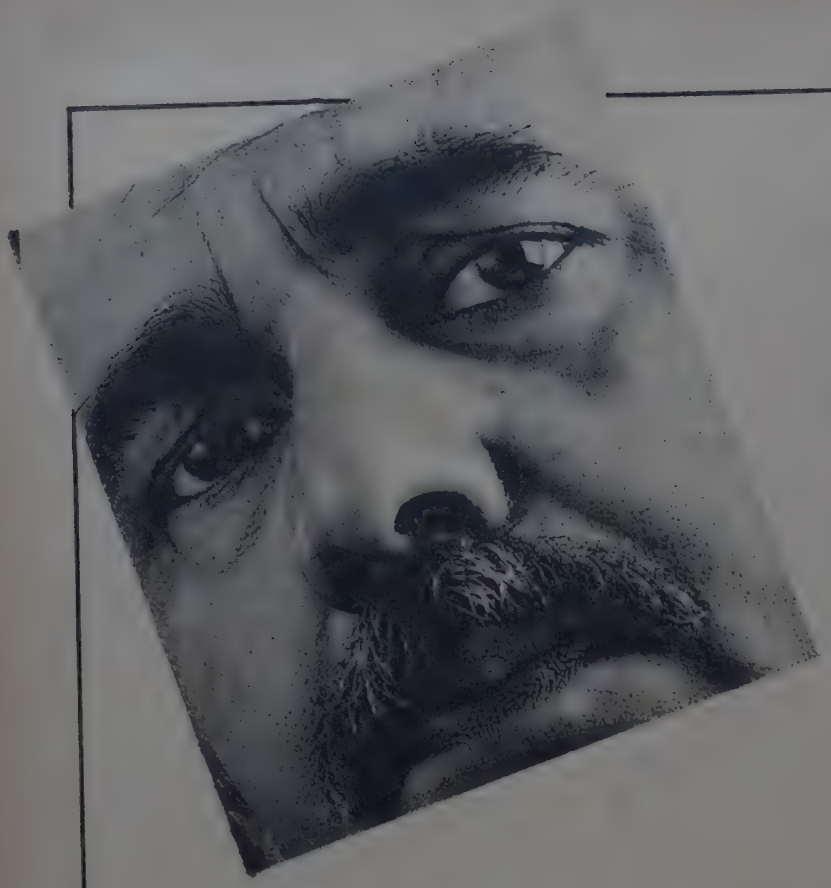
Official encouragement of private consortia and government funding go against long-held anti-trust legislation and the *laissez-faire* philosophy passionately held by many Americans. Ironically it is the supply-side Republicans who are now joining hands with liberal Democrats to call for government intervention in selective sectors of industry.

However, the commerce department's enthusiastic involvement in promoting certain industries has come under attack from free traders who consider the "industry-led policy" of business-government collaboration as nothing but industrial policy by another name. *Laissez-faire* economists worry that it may begin with government backing for a particular industry but may lead eventually towards central planning.

Even some in the administration, including President Bush's economic adviser Michael Boskin, are believed to be cool to the idea of government involvement. Some independent economists also question the wisdom of choosing a particular technology as a winner while there are examples of miscalculations like the supersonic passenger aircraft Concorde and the US-backed Synthetic Fuels Corp.

■ *Nayan Chanda*

(By special arrangement with the Far Eastern Economic Review, *Hong Kong.)*



The question is not whether you can afford metallisation.

The question is can you afford to stay with foil laminates?

PRODUCT RANGE

PRODUCT	THICKNESS	GRADE	USES
JALPET (Metallised Polyster)	12μ/24μ Or any required thickness	Plain Lacquered (Pkg. Grade) Lacquered (D.G Grade)	Packaging Packaging Zari
JALBOP (Metallised BOPP)	20μ/25μ Or any required thickness	Plain/Heat Sealable Lacquered (Pkg. Grade)	Packaging Packaging
JALPER (Metallised Paper)	50/60/80 gsm Or any required thickness	Poster/Maplitho/Kraft Hi Gloss/Matt Silver/Gold Plain, Waxed, PVDC Coated, LDPE laminated	Cigarette, Bulk Tea, Packet Tea, Biscuit, Confectionery, Pharmaceuticals, Gift wraps, Soaps, etc.
JALBORD (Metallised Board)	250 gsm Or any required thickness	Duplex/Pulp Board Hi Gloss/Matt Silver/Gold	Cartons for Liquor, Cigarettes, Toiletries & Cosmetics, Gifts, Blade Tucks, Chocolates, etc.

Does your foil laminated pack look good enough to be tops today?

Can you afford the increasing cost of foil laminating at a time when its competitive advantage is gone? And when, for the first time, you have a comprehensive large scale, high quality source of metallised packaging, operating in India.

Packagers around the world have discovered–metallisation gives packaging a brilliance that foil laminates can never match. A brilliance that continues to dazzle when foil laminates begin to dim. And to think, that metallisation actually costs you 10 to 15% less than foil lamination!

GLOSS COMPARISON FIGURES

Geometry 75° @ 25°C ± 1°C, 60 ± 2% RH

	Metallised Substrate	Foil Laminate
Maximum	75	39
Minimum	48	21
Average	60	28

● SOURCE: Indian Institute of Packaging

You can upgrade to metallisation without any problems at all. Because it provides the same machinability and handling features as foil laminates. You can switch to metallised packaging on your existing machinery with zero modification.

AND, you get the same protection. Metallisation improves the barrier properties of PET and BOPP. Metallised paper coated with Wax, LDPE, PVDC etc., acquires excellent heat sealing and barrier features.

PLUS metallisation gives you a major printing advantage–you are no longer confined to rotogravure, as with foil laminates, but can print more economically, in off-set, letterpress or silkscreen. Even on rotogravure, metallised surfaces save on ink costs.

In close association with PAGENDARM BESCHICHTUNGSTECHNIK GmbH and WEINERT VERFAHRENSTECHNIK GmbH–JALPAC introduces microprocessor controlled metallisation of PET and BOPP, and Transfer Technology for Paper and Board.

JALPAC creates the ideal sealing-in, sealing-out, odourless food grade environment for almost any kind of packaging use–snacks, tea, biscuits and confectionary, pharmaceuticals, toilet products, motor oil and lubricants, paints and electrical components–the sequence is endless.

Place JALPAC PET, BOPP, Paper and Board beside any foil laminated surface, or any other metallised surface, the difference shows immediately. Can you afford not to upgrade to JALPAC?

JALPAC offers you a comprehensive package. Attractive business terms, prompt supplies, technical supports, and conversion services.

Contact JALPAC, and we will work out the best way for you to swiftly opt for all the advantages of a higher technology.

- **Installed capacity of 55 million sq. metres per annum.**
- **Complete range of metallised film, paper & board.**
- **Introducing microprocessor controlled metallisation.**
- **Transfer Technology for metallised paper & board.**
- **On-line Corona Surface Treatment for better adhesion.**
- **PVDC coated metallised substrates for high barrier, high attraction packaging.**
- **Total Conversion Services.**

JALPAC INDIA LTD

25 Ballygunge Circular Road, Calcutta 700 019
Cable : JETEXMIL Phone : (033) 477811/2, 482313
Telex : 21–3312 JTG IN

Rediffusion

VOLVO

GOODBYE TO FORDISM

Volvo claims that its new assembly plant at Uddevalla in south-west Sweden represents a breakthrough in auto manufacture that will shake up the world motor industry.

"We are saying farewell to the traditional assembly line," asserts the company's car division president, Roger Holtback. "I hope that one day in the future somebody will be able to stand here and say 'Henry Ford invented the assembly line but Volvo did away with it — in a profitable way'."

The company hopes that the Uddevalla plant, which started full production last August, will have proved itself within five years; for the moment, though, it can only hope, wait and welcome admiring and incredulous visitors. At this point no profit target has been set but the company believes it will break even at Uddevalla in the early 1990s.

What Volvo is doing is to challenge many of the fundamental assumptions that have dominated managerial thought about mass production since the beginning of the century and return car manufacture to the made-by-hand-in-teams approach that existed before Henry Ford's assembly line method began in 1914.

Mass production for the car worker meant simple, repetitive and unskilled tasks to perform under strict time controls. "The car builders lost the holistic view of production," declares Holtback.

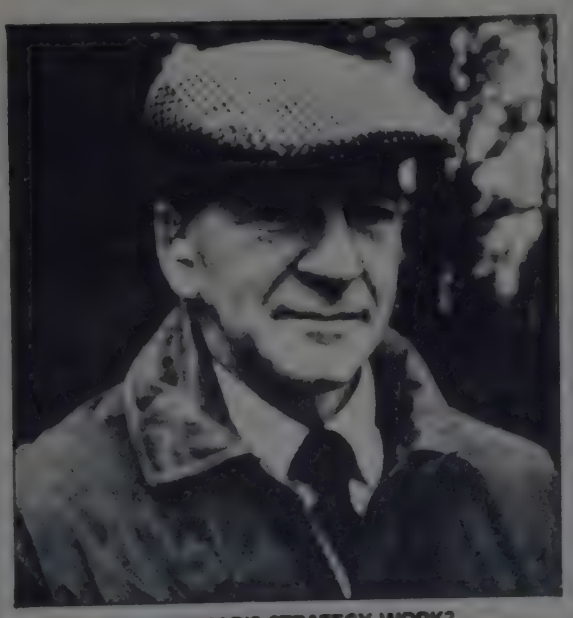
A latecomer. Volvo was a comparative latecomer to the Ford-style assembly line. Although the company was established in 1926, it was not until 1953 that the assembly line technique was introduced into its plants in Sweden. In the restive 1960s, it produced high absenteeism and labour turnover without improved productivity.

As a result, in the early 1970s the company's new chief executive, Pehr Gyllenhammar, decided to try and move the production system away from the Ford assembly line approach by making the work more interesting and attractive.

The result was the Kalmar plant, opened in 1974 and based on a work team approach with computer-guided carriers bringing supplies to the decentralised assembly points. This has brought lower absenteeism and labour turnover and the plant now makes a profit.

Uddevalla is a genuine advance on the Kalmar system. In Holtback's words, it represents a return to the old pre-Ford method that enhances the role of the car worker as craftsman.

Holtback argues that the Uddevalla plant is going back to the "old well-proven system of apprentice and master craftsman" — but with a difference. It is utilising today's high technology in engineering and the computer sciences to "build the best foundation for creating true friendship and cooperation."



WILL GYLLENHAMMAR'S STRATEGY WORK?

"It is people who create quality, not technology alone," says Holtback. "A robot does a good job only if correctly programmed by humans."

At Uddevalla the workers are grouped in teams of eight to ten in six product plants. They are autonomous teams responsible for the complete assembly of the car, for the volume of output as well as the quality control.

Currently 200 units of the Volvo 740 range for the Nordic market are being produced each week at Uddevalla. The company hopes to reach a production goal of 10,000 cars in 1989, reaching the full plant capacity of 40,000 by 1991. Volvo sets monthly and annual production targets for the plant.

Unique factory. "This is a unique factory," claims Leif Karlberg, who heads the Uddevalla operation. The team, 40% made up of women, assembles the car in a stationary position — not on a moving line. The time for each stage of assembly amounts to an hour, more if it is felt necessary.

The actual number assembled each day is decided by the team at the start of the working week. There is a low level of mechanisation in the process.

What strikes the observer at the Uddevalla plant is the very low decibel noise level as well as the sophisticated ventilation, the lack of dirt and smells, the use of natural light and stress-free colour designs on the walls.

As Karlberg points out, the company is making a big investment in training the teams. There is an initial 16-week initiation course, the first stage of a 16-month development programme. The hope is that each worker will learn how to perform the tasks required for a quarter of the car his or her team assembles. There are no supervisors or foremen.

The teams choose coordinators in rotation and there is a manager in ultimate charge of each product plant. But the workers are expected to shoulder a wide range of functions. Ideally the company would like to turn the job of the car worker from being a very limited one into a more creative occupation.

Through the stimulus of team spirit and delegation of power, Volvo aims to make auto production more challenging. In order to do that, the company must keep labour turnover and absenteeism to a minimum, the financial cost of training workers in diverse skills demands greater stability in the workforce than in a traditional assembly plant if the approach is to be cost-effective.

Absenteeism. At its more traditional assembly plant in Gothenburg, daily absenteeism is running at an average

Volvo's experiment in industrial democracy has been made possible by the Swedish spirit of consensus inherent in both the company and the trade unions

of 17%, but as high as 25% in the paint shop. At the moment the Uddevalla rate of absence is around 8%, the same as at Kalmar.

The production success of the 1.6 million square metre industrial experiment at Uddevalla also depends on just how efficient the materials supply system turns out to be in meeting the assembly team's demands.

The car components from over 400 outside companies are brought into a materials centre at the heart of the factory. These include finished, painted bodies coming from the company's Gothenburg plant 80 km away.

Workers at the materials centre also operate in teams with job rotation. They are involved in some pre-assembly work on front and rear axles, steering columns and exhausts. But their primary task is to stock-keep and provide the kits of parts required for the full assembly work.

These are ordered up through the use of the computer by the assembly work teams and then loaded aboard automatic carriers moving on magnetic tracks in the floor to the appropriate team in the product plants. It takes four carrier loads to transport all the parts, for the car stocks are kept as low as possible.

Uddevalla workers are relatively young with an average age of just over 30 for the manuals, though in Gothenburg the assembly plant workers have an average age of 22.

Their wages are not enormous. Workers have a basic wage of SKr 2,132(Rs 5,230) a week. They can also earn a bonus on a scale up to SKr 6 an hour, though this will only be paid out when the teams can meet the quality, productivity and delivery targets they set themselves each week.

The Uddevalla experiment has been made possible by the Swedish spirit of consensus inherent in both the company and the trade unions. From start to finish the plant was planned and designed through a cooperative effort between the metalworkers' union in particular and the management.

It began when the ruling Social Democrats, Volvo and the unions agreed on a SKr 1.2 billion package to replace the uneconomic state-owned shipyard in the town with a new car assembly plant.

Enthusiastic workers. In Sweden industrial democracy is not a fiction but a reality. This is why the union officials and workers are as enthusiastic about the new system as are the company executives.

Of course, it is the conciliatory business climate in Sweden that enables such experiments as that at Uddevalla even to be attempted, though nobody doubts that for Volvo it was also a shrewd commercial deal since the lion's share of the initial cost of establishing the enterprise came from the Swedish taxpayer.

It is fashionable nowadays to talk vaguely about the post-industrial society and the vanishing proletariat. Yet Volvo, along with other Swedish manufacturing companies, is defying the conventional wisdom.

Other auto companies might believe their future lies in using cheap, unskilled labour in third world countries to build volume by moving assembly line methods. But Volvo thinks that there is a market for a high quality, hand-made car which is built in a humane way to the latest environmental standards. The product will be more expensive but it reckons there may be more affluent people in the 1990s ready to buy it.

The Gyllenhammar philosophy attracts widespread scepticism, even derision, and there is bound to be serious doubt about Uddevalla until it can be seen to be financially viable.

Yet if he can pioneer a system of production that exploits technology in the interests of those who work at Volvo as well as those who buy its cars, and which does produce a profit, then what is happening today in Uddevalla could become a model for the future elsewhere in the auto industry.

■ *Robert Taylor*

(By special arrangement with the Financial Times, London.)

CHINA

CLASH OF YOUNG AND OLD

As always in Peking, there was a queue for the long yellow and red buses that announce their coming with the shrill, loudspeakered voice of a conductress warning cyclists to get out of the way. Farmers with melons stacked on the back of a bicycle trailer were coercing customers into buying low quality at high prices, and a noodle shop had stereo speakers out in front filling a small side street with the discordant clanging of Peking Opera. Life in the capital, at least in the Communist Party's view, was returning to "normal."

The Communist Party leadership likes to think that the masses will be content if they have their articulated buses, Peking Opera and flawed watermelons. In the party's thinking the people of China do not need democracy.

Political salons. That is one level of a disturbing, outdated mentality that seemed to be disappearing when this writer left China a year ago. At that time, leaders such as Zhao Ziyang, the party chief, talked of the need for political reform, of making the party more accountable to the people, and of separating party from government in the interests of efficiency. Researchers at the Academy of Social Sciences were producing controversial papers on political theory that would have had them exiled a few years earlier, and the astrophysicist-dissident, Fang Lizhi, was chairing afternoon political salons on the grass at Peking University. The economy was in a mess, but there were good reasons for guarded optimism.

Now, Zhao Ziyang has been purged. Writers, sociologists and researchers are at the top of every elderly conservative's hit-list. Fang Lizhi,

whose effigy was burned last month by anti-democracy protesters given 20 yuan for marching through the streets, has sought refuge at the US embassy.

The coalition of conservatives running the country is gaining confidence in asserting authority over distrusted institutions, and apparently feels no pain at having called in the army and slaughtered, probably, hundreds of people, and perhaps, thousands. For Li Peng, the prime minister, early last month was a "brilliant victory," and another spokesman for the coalition described the carnage as a "life and death struggle for the party and the country." (Notice that the party comes first.)

While liberals in the leadership had sought to give individuals more room for manoeuvre in the past few years, the networks of control — the internal and external intelligence services and the all-pervasive party structure — were never dismantled. Those institutions are now being used in the crackdown against pro-democracy activists. It is in the interests of the officials running those institutions to exaggerate the threat posed to the party and to recommend severe punishment of the individuals arrested and summarily tried. To be charged in China is to be convicted.

Obsessed by control. Li Peng and his comrades are particularly bothered by the emergence of networks of communication outside their control. They are obsessed by control. They were bothered by an economy that seemed to have developed a mind of its own, and even more bothered by the number of people who have developed ideas well beyond the boundaries of the "four cardinal principles," the ideological foundation of the present leadership. Basically, those principles are that the Communist Party runs the country and the masses are to be guided in their daily lives by Marxism, Leninism and the thinking of Mao Zedong.

The conservatives began restructuring the media before the violence of early last month, having calculated that many journalists and editors were unsympathetic to their more orthodox ideology. Zhao had been influential in promoting reformist editors to party and government propaganda bodies. Even after Zhao had clearly lost power, editors took serious risks in reporting the protest movement fairly and, in a final hurrah, the Xinhua news agency reported that 1 million people protested on a day when the figure was closer to 100,000, and noted that most were chanting slogans condemning Li Peng.

The party's strategy is to use people against people. The counter-revolutionary hot line is part of that process.

The manager of a small store in the south of Peking says he is afraid of getting involved in politics, though he supported the aims of the students. "There was really no reason to use the army," he says. "But what can we do about it? The masses have no weapons. Only the army has weapons."

That sense of powerlessness is amplified by the presence of the army, which now mixes smiles with AK-47s and random bursts of gunfire in the streets. The Chinese army, is, like the country, controlled by elderly men who claim to have retired, but who still run an old-boy network that has far more influence than the National People's Congress, the Chinese parliament. These revolutionaries grew old with the army which they long-marched to victory in a civil war 40 years ago.

Feeling outnumbered. There are generals who would not support a pro-democracy protest, but would have reckoned that, given time, the students would drift back to the campuses. Those generals and other discerning government officials are feeling outnumbered now. The party has brought out the heavy artillery of ideology. One senior cadre, unsure of his future and of who can be trusted, contacted a foreign correspondent for help in getting a US visa

DENG: GERONTOCRACY TRIUMPHS



The number of people prepared to take to the streets in recent weeks is a cause for optimism, as in the number of liberal officials who will be falling into line now, but are awaiting an opportunity to follow their instincts. The problem is that the longer the present leadership lasts, the more like-minded officials will be planted in positions of power.

Nonetheless, time is against the old men. The members of the elderly coalition are all octogenarians, and all have health problems. Of late, Deng Xiaoping, the paramount leader, has needed regular doses of oxygen.

Perhaps the conservative coalition will ease up on the rhetoric. Perhaps this talk of counter-revolutionaries is self-justification that will evaporate in the next few weeks. Perhaps Li Peng, the prime minister whom everyone loves to hate, is not, as many Chinese like to call him, "a puppet," and is merely a technocrat who will be less brutal when his wounded pride heals.

At best, however, China is entering a period of profound mediocrity. The gerontocracy is agreed on the need to assure its control, but divided on almost everything else. Economic reform is over for now, so expect more central controls on planning. If the present faction retains power, expect a more politicised China, with more political "criminals" and political re-education to overcome "bourgeois liberalism" — the illness that has irritated the elderly leaders for the past four years. In a recent speech, Deng said that a 1986 campaign, had it been pursued more ruthlessly, would have wiped out "bourgeois liberalism," and students would not have protested.

Sadly, the present leadership does not care much for what foreign countries think about China. Nor are they obliged to work to parliamentary deadlines. As the great Chinese strategists have always done, they will take their time — to the frustration of critics and opponents. They are unaccountable and, for the moment, untouchable.

■ *Robert Thomson*

(By special arrangement with the Financial Times, London.)

HOTTEST THING ON WHEELS

It is meant for kids, but it is hardly child's play. The toy cars that are rolling out of Japan have become the hottest thing on wheels making them the highest selling toys after video games.

These toy cars, or high-performance model racing cars, are so fast that they would make even a Grand Prix driver reach for his helmet and seat belt. The battery-powered cars are sleek, about 15 cm long and can attain a speed of 50 km per hour (compared to a normal car this speed is equivalent to 500 kmph).

The fad, yet to catch on in the US, is a big draw in Japan. Racing contests are held regularly drawing 160,000 spectators. But makers of these cars, Tonka Corp. and Bandai Co. of Japan, are optimistic about US sales. Already about 40 million cars have been sold in Japan. US has an even bigger market of 75 million per annum.

Additional revenue will be generated through the sale of accessories. For a car, which costs $10, the starters track cost $50 and there are other products like engine, tyres, etc. which can be changed.

Although the market is big, too many toy makers could spoil the race as profits depend on large volumes.

SAMURAI SALES

Trading in Samurai swords has become big business in Japan. A hand-crafted sword dating from the 18th century could easily fetch more than $100,000.

The Samurais were a military dynasty which ruled Japan from the 17 century to end-19 century. A Samurai sword is the most prized family heirloom and the process of hard crafting made it the finest sword available. The sword is tempered with great care giving it immense strength to cut through even thick metal.

However many of these swords were taken by the American soldiers returning home after World War II. Being not aware of its historic value many of them were destroyed. The few remaining genuine swords that adorn the walls are now being bought back by the Japanese.

It is estimated that the highest price paid for a Samurai sword is $2 million. Christie's, the international auction house, sold a 700-year-old sword at an auction for $120,000.

WHO'S NEXT?



JOBS HAS A NEW PARTNER

Canon of Japan has acquired a 16.6% stake in Next, the American computer company flagged off by Steve Jobs, the former chief of Apple Computers. This follows an investment of $100 million by Canon in Next.

In addition, Next has signed a distribution agreement with Canon under which the latter will distribute Next's products in Japan and other Asian countries.

According to Jobs, Canon will have one seat on the board of directors in return for its investments. Canon's holdings in Next will be limited to 20% for at least 10 years, he added.

Jobs also said the Canon investment "erases any doubts about the financial stability or credibility of the company that anyone might have had." In fact, the Canon tieup follows a similar deal that Jobs had struck in 1987 with Ross Perot. IBM, too, has entered into a licensing arrangement with Next. The logical question to ask would be: Who's next?

BIGGEST DONOR

Japan will soon overtake the US as the world's biggest donor. Japanese official development assistance (ODA) last year touched a record $9.1 billion, up 23% from the previous year's level. This year, the figure is expected to be higher than $9.8 billion.

Japan's aid is still quite low in relation to its gross national product (GNP). Last year, it was 0.32% of GNP, as against the average of 0.35% among the industrialised countries.

Japanese aid has often been criticised for being of the "tied" variety, which provides guaranteed export opportunities for Japanese companies. In response to this criticism, Japan has been trying to reduce the proportion of "tied" aid in recent years, but with little success.

SAATCHI SPINOFF

Saatchi & Saatchi Co., the world's biggest ad group, has announced its plans to spin off its consulting division. This decision has come in the wake of a 68% slump in pre-tax profit of the division to £20.2 million for the six months ended 31 March 1989.

Saatchi has been approached by several interested parties either to buy it or to refloat it separately. Though Saatchi spokesmen declined to divulge the price the division would fetch, US analysts place it at £250-350 million.

Saatchi's consulting division which includes US-based Hay Group, contributed 22% to the group's turnover for the year ended 30 September 1988.

The hawking off stand seems to put an end to Saatchi's quest for global leadership in consultancy. Says a Saatchi spokesman, "Saatchi was not in the business of running a relatively small consultancy business; what it wanted to do was to build a worldwide business. That prospect was far in the future, if ever attainable. So they have bitten the bullet and decided to dispose of the division."

US DEFICIT NARROWS

Uncle Sam, worried about the widening US trade deficit, can now heave a sigh of relief. The deficit has narrowed moderately in April as exports climbed and imports slipped.

Heralding the change, commerce secretary Robert Mosbacher said: "We are really on a roll. Perhaps for the first time in a long long time, American industry is thinking exports, and seeing the benefits of it."

Shipments abroad in April rose 0.8% to $30.57 billion from the record $30.32 billion in March. Imports shrank 2.6% to $38.84 billion.

FUTURES SHOCK

Ever since January, when the American government's undercover investigation blew the lid off Chicago's futures scam, the ability of the futures industry to regulate itself has been doubted. Now, to set the record straight, the Chicago Mercantile Exchange has started flexing its regulatory muscles.

In one of the more recent actions, Michael P. Walsh, president of a member firm and a floor broker, has been fined $175,000 for allegedly making illicit stock index futures trades during the week of the October 1987 crash. Walsh has been accused of making $2.5 million during that week.

The Exchange's action, say experts, is just the beginning of a crackdown. Many traders are expected to be hit. As yet, however, Walsh has failed to attract sympathy. In 1984, he was fined for the "use of undue force" in the exchange while in another instance, he was accused of "swearing and spitting at another member."

Trading in Chicago's pits, it seems, is really the pits.

THE PRICE OF PROTECTION

As the US uses the Super 301 provisions to play big bully in the international market, several economists are questioning the sanity of hiding the American economy's basic shortcomings behind various non-tariff barriers.

One very striking example of such barriers is the "voluntary" restrictions on exports of Japanese cars to the US. Economists estimate that such restrictions have cost the American consumers, in terms of higher prices, between $3-5 billion annually.

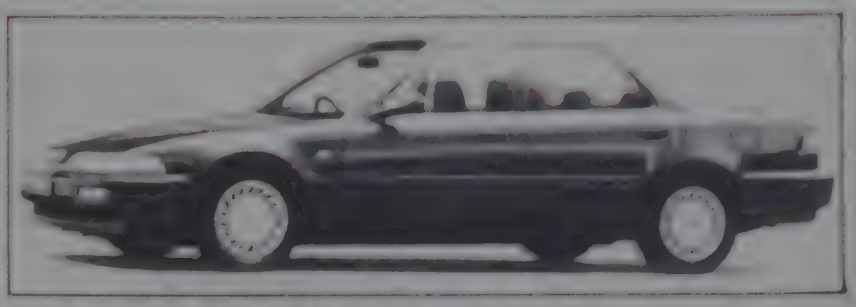
Clemens Boonekamp, an economist with the IMF, says that the cost per job saved in protected sectors could be several times the wages earned in those sectors. For example, in 1984, the annual cost per job saved by US protection on textiles and clothing amounted to $50,000 and $39,000 respectively, compared with the annual wages of $13,400 and $10,000 in these sectors. Boonekamp also estimates that the US had to spend $60,000 annually to protect jobs in its domestic television industry.

SUBSTITUTE FOR CFC

Though well-meaning talk about saving the earth's stratospheric ozone layer is high fashion today, precious little has been done so far to set things right. Now two Japanese companies have developed a device that is a substitute for ozone-destroying chlorofluorocarbons (CFCs). Mitsubishi Electric and Taryo Sanso have jointly developed a semi-conductor washing device which does not use CFCs. The semi-conductor manufacturing cleaning process accounts for a major chunk of CFC use in Japan.

The device involves a process called "ice cleaning." This involves using fine particles of ice and frozen alcohol at temperatures below -50 °C to blow dust off semi-conductors without harming them. The results, claim the companies, are comparable to those from processes using CFCs. The device will be launched next spring.

If the new device involves, in more ways than one, more than just gas, the environment could be in for healthier times.



A HONDA CAR MORE WERE SOLD LAST YEAR

HONDA SALES UP

Honda Motor Co. Ltd. of Japan has announced impressive results for the quarter ended 31 March 1989. Helped by favourable auto sales worldwide, the company's consolidated net sales added up to ¥ 886.8 billion (Rs 10,201 crores), 7.5% above the comparable quarter last year.

Operating income rose 17.1% to ¥46 billion, but net income fell 26.3% to ¥24.3 billion, due to a fall in foreign exchange gains.

For the fiscal year ended 31 March, the sales turnover was ¥ 3,489.2 billion, up 8% from last year's figure. This reflected increasing sales of Honda cars, particularly in Japan and North America. Operating income rose despite the strong yen, while net income fell 29% to ¥97.2 billion.

MOTOWN BLUES

Only last year, America's big three automakers — Chrysler, Ford and General Motors — seemed to have got back into the driver's seat. Aided by a cheap dollar and strict "voluntary" import quotas, the US car makers gave their Japanese rivals a scare. In 1988, the big three raked in record profits.

That was last year. But a year is a long time in business. Especially if your competitors are the Japanese. The result: while the US auto giants' sales dropped 10% in the first four months of this year, Japanese car companies increased their US sales by 6%. Japan now controls a record 24% of the American car market.

Detroit, however, is not taking things lying down. The auto war is promising to hot up. Says a Ford executive "It's going to get ... dirty in the next three years."

ANOTHER GREAT CRASH?

Thanks to Walt Rostow, the US economist, everyone knows that the American economy "took off" long ago. But now, buffetted by the gales of the budgetary deficit, that country seems to be headed for a "crash landing." That, at least, is what the Switzerland-based Bank for International Settlements (BIS) ominously predicts.

In its latest annual report, the BIS says an extraordinary situation has arisen "in which a major shift in fiscal policy in the largest economy would unambiguously and simultaneously serve the interests of both domestic and external adjustment in the greater part of the world."

The BIS has frequently in the past asked the US to slash its deficit. What is new in this year's report is the bluntness of its tone. This is understandable. After 1987's crash on Black Monday, the BIS may be forgiven for fearing another crash-landing

The Rajshree Group.



Commitment through industry

One small textile unit, way back in 1957. Today, a sprawling multi-faceted industrial house with an annual turnover of Rs. 50 crores. That is the Rajshree Group.

A unique blend of innovation and enterprise has ensured that Rajshree emerges as a symbol of quality products and services.

In textiles, automotive trading, transport, travels and electronics, Rajshree has a story of steady success to tell.

And now, in the same tradition of excellence comes another venture into India's second largest process industry. Rajshree Sugars and Chemicals Limited.

RSCL are setting up a plant that will produce 250 tonnes of white crystal sugar a day. Growing domestic and export demand projects a prosperous future for Rajshree Sugars.

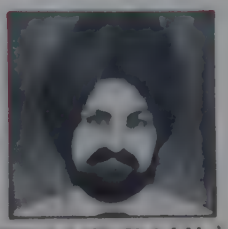
And so the Rajshree Group is poised to continue on its pioneering path. The philosophy is a simple one. That of commitment – through industry.

RAJSHREE GROUP
COIMBATORE

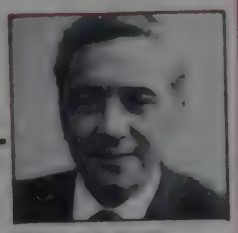
CORPORATE VOICE IS RSCL 189A



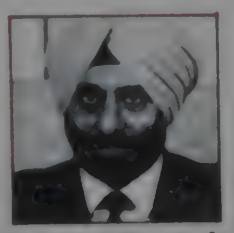
R.K. VERMA has taken over as director (personnel) of the National Hydroelectric Power Corporation.



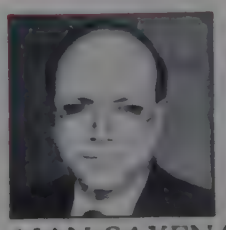
MOKAND RAHI has taken over as general manager of Binepal Components Pvt. Ltd., Ludhiana.



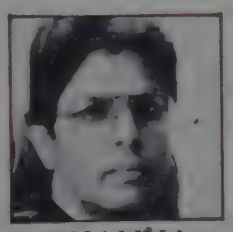
HERMANN EISELE has been elected chairman of Motor Industries Co. Ltd. (MICO). He is an associate member of the management board of Robert Bosch GmbH.



C.S. PANTHAL has taken over as executive director of Dalmia Resorts International.



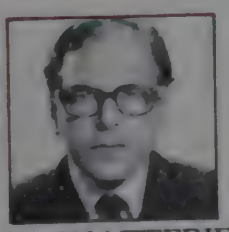
RAJAN SAXENA has been elected chairman of the Bombay chapter of the Indian Society for Training and Development.



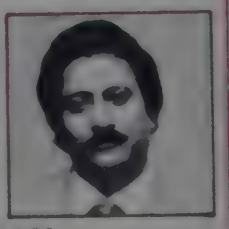
M.K. KHANNA, managing director of Hindustan Thompson Associates Ltd., has been elected president of the Advertising Agencies Association of India.



I.M. RAO has been elected president of the Institute of Marine Engineers (India). He is technical executive of Hauers Lines Pvt. Ltd., Madras.



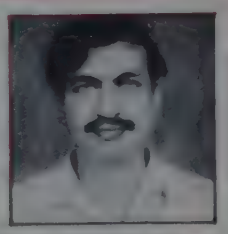
B.K. CHATTERJEE has joined the board of Recondo Ltd., Bombay, as executive director.



VINAY CHOUBAL has been appointed as manager (western India), Air-India.



H.R. PRASAD has been elected president of the Bombay Management Association. He is the managing director of Schrader-Scovill Duncan Ltd.



P.V.R. MURTHY has taken over as director (finance) of Bihar Sponge Iron Ltd.



NARAYAN N. DESAI has been elected chairman of the Indian Pump Manufacturers Association. He is the founder chairman of Kishor Pumps Pvt. Ltd.

Grindlays Bank p.l.c.

Incorporated in the United Kingdom
The liability of members is limited

BALANCE SHEET OF INDIAN BRANCHES

As at 31st December, 1987			CAPITAL AND LIABILITIES		As at 31st March, 1989	
Rs.	P.	Rs. P.			Rs. P.	Rs. P.
14,78,20,000.00			**Capital** *Amount deposited with the Reserve Bank of India under Section 11(2) of the Banking Regulation Act, 1949 (Market value of securities lodged)*		*18,50,00,000.00*	
2,19,60,000.00			**Reserve Fund and other Reserves** **Head Office Reserve** *(amount remitted in Sterling from Head Office)*		2,19,60,000.00	
11,28,42,587.77			**Capital Reserve** *(surplus on revaluation of bank premises)*		11,28,42,587.77	
30,39,119.90			**Surplus on Sale of Immovable Properties** *(net of capital gains tax)*		30,39,119.90	
1,61,05,724.19			**Revenue Reserve** *(including accumulated depreciation of Rs. 1,48,76,508.07 written back on revaluation of premises)*		1,61,05,724.19	
0.00	15,39,47,431.86		**Reserve under Section 11(2) (b) (ii) of the Banking Regulation Act, 1949**		4,95,28,941.27	20,34,76,373.13
0.00			**Deposits and other Accounts** **Fixed Deposits**			
571,18,49,453.42			from banks	25,00,000.00	672,26,66,131.17	
289,63,78,297.00			from others	672,01,66,131.17	308,52,04,556.32	
17,85,12,148.65			**Savings Bank Deposits** **Current Accounts and Contingency Accounts,etc.**			
326,63,37,200.55	1205,30,77,099.62		from banks	22,97,31,056.90	433,98,12,344.69	1414,76,83,032.18
			from others	411,00,81,287.79		
146,08,58,066.60			**Borrowings from other Banking Companies, Agents, etc.** In India		106,06,13,193.78	
27,44,46,503.35	173,53,04,569.95		Outside India		52,83,21,554.04	158,89,34,747.82
			(particulars of borrowings appear in an appended statement)			
	33,39,48,702.06		**Bills Payable**			41,02,05,412.72
			Bills for Collection being Bills Receivable *as per contra*			
55,42,66,086.43			Payable in India		80,03,19,809.50	
40,79,72,348.26	96,22,38,434.69		Payable outside India		51,38,17,884.38	131,41,37,693.88
	0.00		**Other Liabilities**			0.00
	270,22,43,138.99		**Acceptances, Endorsements and other obligations** *as per contra*			375,78,44,256.46
15,03,34,801.80			**Profit and Loss**			
			Balance brought forward from previous year		21,22,85,080.83	
16,86,26,512.19			*Add:* Profit for the period brought from the Profit and Loss Account		24,76,44,706.36	
31,89,61,313.99					45,99,29,787.19	
10,66,76,233.16			*Less:* Remitted to Head Office	8,71,71,977.42		
0.00			Transfer to Reserve under Section 11(2) (b) (ii)	4,95,28,941.27	13,67,00,918.69	
21,22,85,080.83					32,32,28,868.50	
7,34,99,562.25	28,57,84,643.08		*Add:* Tax credits receivable *(on specific provisions for doubtful debts)* — contra to other assets		9,74,91,323.30	42,07,20,191.80
1,46,59,556.18			**Contingent Liabilities**			
551,12,37,280.61			*Claims against the banking company not acknowledged as debts*		*1,28,89,309.73*	
			Outstanding forward exchange contracts		*496,25,39,722.12*	
511,89,57,231.19			*Guarantees issued (including on behalf of officers Rs. 4,29,471.00 — 1987 Rs. 21,86,701.00)*		*534,15,92,211.80*	
187,33,65,364.95			*Bills of exchange rediscounted*		*243,81,61,627.61*	
0.00			*Partly paid shares*		*0.00*	
	1822,65,44,020.25					2184,30,01,707.99

See notes appended

Calcutta, 21st April, 1989

Per our report attached
For A.F. Ferguson & Co.
Chartered Accountants
V. K. KALRA
Partner

Grindlays Bank

Member ANZ Group

AS AT 31ST MARCH, 1989

As at 31st December, 1987			PROPERTY AND ASSETS		As at 31st March, 1989	
Rs P	Rs P				Rs P	Rs P
	168,47,42,751.72		**Cash** In hand, with Reserve Bank of India, and with State Bank of India *(including foreign currency notes)*			192,34,84,209 11
18,23,80,288.59			**Balances with other Banks** *(on Current Account)* In India		1,84,39,618.47	
3,63,83,771.60	21,87,64,060.19		Outside India		76,22,30,537.55	78,06,70,156.02
	0.00		**Money at Call and Short Notice**			0.00
			Investments Securities of the Central and State Governments and other Trustee Securities including Treasury Bills of the Central and State Governments		521,89,77,488.47	
472,61,79,269.85			Shares			
2,19,47,965.00			fully paid ordinary shares	94,14,880.23	94,14,880.23	
0.00			partly paid ordinary shares	0.00		
5,75,56,441.66			Debentures or Bonds		15,50,06,667.35	
13,42,00,000.00			Other Investments — units of Unit Trust of India		3,00,000.00	
0.00	493,98,83,676.51		Gold		0.00	538,36,99,036.05
			Advances *(Other than bad and doubtful debts for which provision has been made to the satisfaction of the Auditors)*			
500,50,15,950.85			Loans, Cash Credits, Overdrafts,etc. In India	574,90,53,525.18	574,90,53,525.18	
0.00			Outside India	0.00		
			Bills discounted and purchased *(excluding Treasury Bills of the Central and State Governments)*			
69,71,06,516.18			Payable in India	104,08,24,024.06		
30,55,99,620.49	600,77,22,087.52		Payable outside India	41,05,19,094.32	145,13,43,118.38	720,03,96,643.56
			(particulars of advances appear in an appended statement)			
			Bills Receivable being Bills for Collection *as per contra*			
55,42,66,086.43			Payable in India		80,03,19,809.50	
40,79,72,348.26	96,22,38,434.69		Payable outside India		51,38,17,884.38	131,41,37,693.88
	270,22,43,138.99		**Constituent's Liabilities for acceptances, endorsements and other obligations** *as per contra*			375,78,44,256.46
16,77,74,143.55			**Premises** *less depreciation* At cost/valuation per last Balance Sheet		17,00,43,152.79	
22,69,009.24			Additions during the period		97,14,330.52	
17,00,43,152.79					17,97,57,483.31	
0.00			*Less:* Sales and amounts written off during the period		0.00	
17,00,43,152.79					17,97,57,483.31	
2,80,96,324.33	14,19,46,828.46		*Less:* Depreciation to date		3,42,55,653.29	14,55,01,830.02
			Furniture and Fixtures including Vehicles and Equipment *less depreciation*			
8,57,53,267.74			At cost per last Balance Sheet		14,80,34,431.48	
6,35,43,690.95			Additions during the period		10,94,42,106.71	
14,92,96,958.69					25,74,76,538.19	
12,62,527.21			*Less:* Sales and amounts written off during the period		20,23,925.73	
14,80,34,431.48					25,54,52,612.46	
5,31,11,528.65	9,49,22,902.83		*Less:* Depreciation to date		8,45,61,854.99	17,08,90,757.47
			Other Assets			
23 12 84 110 11			Accrued interest and commission		25,71,16,951.17	
7 34 99 562 25			Tax credits receivable — contra to Profit and Loss		9,74,91,323.30	
77 57 80 950 87			Net inter-branch balances		30,71,92,220 29	
39 35 15 516 11	147,40,80,139.34		Sundries		50,45,76,630.66	116,63,77,125.42
	0.00		**Non-banking Assets acquired in satisfaction of claims**			0.00
	1822,65,44,020.25					2184,30,01,707 99

R. SRINIVASAN
General Manager, Finance

G. G. HOWARD
Regional Director, South Asia

Grindlays Bank p.l.c.

Incorporated in the United Kingdom
The liability of members is limited

PROFIT AND LOSS ACCOUNT OF INDIAN BRANCHES

For the year 1987 Rs. P.	EXPENDITURE	1988/89 Rs. P.
89,73,83,114.31	Interest paid on deposits, borrowings, etc.	136,46,33,582.96
29,84,56,807.84	Salaries and allowances and provident fund	40,58,19,825.27
1,20,750.00	Directors' and Indian Advisory Board members' fees and allowances	2,57,000.00
18,36,59,899.06	Rent, taxes, insurance, lighting, etc.	33,70,00,646.51
17,89,774.66	Law charges	16,80,215.71
1,37,09,036.22	Postage, telegrams and stamps	2,82,80,578.47
4,00,000.00	Auditors' fees	4,50,000.00
3,73,96,899.30	Depreciation on and repairs to the banking company's property	7,86,54,951.35
2,05,55,234.96	Stationery, printing, advertisement, etc.	3,90,98,449.16
0.00	Loss from sale of or dealing with non-banking assets	0.00
9,56,85,406.61	Other expenditure	15,24,79,527.22
16,86,26,512.19	Balance of profit	24,76,44,706.36
171,77,83,435.15		265,59,99,483.01

See notes appended.

Calcutta, 21st April, 1989

Per our report attached to the Balance Sheet
For A.F. Ferguson & Co
Chartered Accountants
V. K. KALRA
Partner

PARTICULARS OF BORROWINGS FROM OTHER BANKING COMPANIES, AGENTS, ETC. AS AT 31ST MARCH, 1989

As at 31st December, 1987 Rs. P.		As at 31st March, 1989 Rs. P.
11,86,58,066.60	Secured (by corresponding advances to customers)	93,58,13,193.78
161,66,46,503.35	Unsecured	65,31,21,554.04
173,53,04,569.95		158,89,34,747.82

PARTICULARS OF REMUNERATION RELATING TO THE CHIEF EXECUTIVE OFFICER IN INDIA (GROSS)

For the year 1987 Rs. P.		1988/89 Rs. P.
99,996.00	Salary	1,24,995.00
1,50,000.00	Allowances	1,87,500.00
1,45,349.15	Monetary value of any other benefits or perquisites	1,62,086.05
3,95,345.15		4,74,581.05

Grindlays Bank

Member ANZ Group

FOR THE 15 MONTH PERIOD ENDED 31ST MARCH, 1989

For the year 1987 Rs. P.	INCOME	1988/89 Rs. P.
	(less provisions made during the period for bad and doubtful debts and other usual or necessary provisions)	
148,57,80,527.05	Interest and discount	229,25,44,859.96
22,90,32,142.33	Commissions, exchange and brokerage	35,73,67,700.83
21,72,779.73	Rents	37,63,413.70
0.00	Net profit on sale of investments, gold and silver, land, premises and other assets *(not credited to Reserves or any particular fund or account)*	0.00
0.00	Net profit on revaluation of investments, gold and silver, land, premises and other assets *(not credited to Reserves or any particular fund or account)*	0.00
0.00	Income from non-banking assets and profit from sale of or dealing with such assets	0 00
7,97,986.04	Other receipts	23,23,508.52
171,77,83,435.15		265,59,99,483.01

R. SRINIVASAN
General Manager, Finance

G. G. HOWARD
Regional Director, South Asia

PARTICULARS OF ADVANCES AS AT 31ST MARCH, 1989

As at 31st December, 1987 Rs. P.		As at 31st March, 1989 Rs. P.
510,09,56,249.24	• Debts considered good in respect of which the banking company is fully secured	616,99,63,470.36
71,02,09,647.69	• Debts considered good for which the banking company holds no other security than the debtors' personal security	75,06,16,443.98
19,65,56,190.59	• Debts considered good, secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	27,98,16,729.22
0 00	• Debts considered doubtful or bad, not provided for	0.00
600,77,22,087.52		720,03,96,643.56
5,89,96,907.66	• Debts due by directors or officers of the banking company or any of them either severally or jointly with any other persons	11,16,60,388.77
0 00	• Debts due by companies or firms in which the directors of the banking company are interested as directors, partners or managing agents or, in the case of private companies, as members	0 00
5,89,96,907.66	• Maximum total amount of advances including temporary advances made at any time during the period to directors or managers or officers of the banking company or any of them either severally or jointly with any other persons	11,16,60,388.77
0 00	• Maximum total amount of advances including temporary advances granted during the period to the companies or firms in which the directors of the banking company are interested as directors, partners or managing agents or, in the case of private companies, as members	0 00
39 41 05 074 56	• Due from banking companies	12,13,54,635.01

Grindlays Bank p.l.c.

Incorporated in the United Kingdom
The liability of members is limited

NOTES APPENDED TO AND FORMING PART OF ACCOUNTS OF THE INDIAN BRANCHES FOR THE PERIOD ENDED 31ST MARCH, 1989.

1. **Staff Retirement Benefits**

   Pension benefits to employees retiring after 27th December, 1974 and gratuity are essentially paid from approved trust funds (to which contributions of Rs. 2440 lacs have already been made). The total actuarially valued unprovided liability of the Bank's terminal benefits, amounts to Rs. 1086 lacs as at 31st March, 1989 (Rs. 1028 lacs as at 31st December, 1987). In addition, pension payments to employees who retired on or before 27th December, 1974 are treated in the accounts consistently on a cash basis, the liability for which cannot be actuarially evaluated.

2. **Investments**

   Quoted Central and State Government and other Trustee Securities have been valued at the lower of cost or market value in aggregate.

   Hitherto, these securities had been valued at the higher of the current market value or the market value prevailing on 29th March, 1985 in aggregate of the securities acquired upto that date and at the lower of cost or face value individually of the securities acquired subsequent to 29th March, 1985. The change in the basis of valuation has resulted in an increase in the profit for the period by Rs. 1,49,17,912.00.

   Other investments are valued at the lower of cost or market value/Director's valuation in aggregate and Treasury Bills are valued at cost.

3. **Previous Year's Figures**

   Previous year's figures for the calendar year 1987 have been recast to conform with the current period's presentation and are not comparable with the current period's figures which are for the 15-month period ended 31st March, 1989.

R. SRINIVASAN
General Manager, Finance

G. G. HOWARD
Regional Director, South Asia

AUDITORS' REPORT

We have audited the Balance Sheet of the Indian branches of Grindlays Bank p.l.c. as at 31st March, 1989 signed by us under reference to this report, and the relative Profit and Loss Account in which have been incorporated the unaudited returns from 11 branches, not visited by us, for which the Company Law Board has granted exemption under Rule 4 of the Companies (Branch Audit Exemption) Rules, 1961, from the provisions of Section 228 of the Companies Act, 1956.

The Balance Sheet and Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211 of the Companies Act, 1956.

We report that:

(a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory;
(b) the transactions which have come to our notice have been in our opinion, within the powers of the Indian branches of the Bank;
(c) in our opinion, proper books of account as required by law have been kept by the Indian branches of the Bank, so far as appears from our examination of the books and the aforesaid unaudited returns which have been found adequate for the purposes of our audit;
(d) the Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account and the aforesaid unaudited returns;
(e) in our opinion and to the best of our information and according to the explanations given to us, subject to Note 1 regarding non-provision of the retirement benefits liability amounting to Rs. 1086 lacs in respect of employees retiring after 27th December, 1974 and of the liability in respect of the employees retiring on or before 27th December, 1974 not being actuarially ascertainable, the accounts together with the notes thereon give the information required by the Companies Act, 1956 in the manner so required for Banking Companies and, on such basis, the Balance Sheet gives a true and fair view of the state of affairs of the Indian branches of the Bank as at 31st March, 1989 and the Profit and Loss Account gives a true and fair view of the profit of the Indian branches of the Bank for the 15 month period ended on that date.

For A.F. Ferguson & Co.
Chartered Accountants
V. K. KALRA
Partner
Calcutta, 21st April, 1989



PAREKH GROUP'S PRODUCT RANGE

ENTREPRENEURS

GLUED-IN SUCCESS

If imitation is the best form of flattery, Fevicol has much to pat itself on the back about. In its 30 years of existence, this brand of adhesives has seen the emergence of several clones and copycats. But while Movicol, Mahacol, Camlicol and others of their ilk soon came unstuck, Fevicol held fast. Today, the name has become a near synonym for glue, and is much better known than that of its makers — the Parekh group of companies.

The odyssey began in the early forties. In 1942, Balvantray Kalyanji Parekh, the son of a landlord-farmer in Saurashtra, came to Bombay to pursue his studies. "But in 1943, I went back home due to the Quit India Movement. For a year or two, I vacillated on whether to join my father or to start a business of my own. Finally, I decided on the latter course," he says. Parekh hardly realised, then, that he would eventually become the founder and chairman of the Parekh group.

Three years later BK returned to Bombay. His first exposure to business was at Progressive Trading Co., a firm trading in dyes and chemicals and run by his relatives. The urge to strike out on his own made him quit the job, and in 1954, with his brother Sushil Kumar Parekh, BK launched Parekh Brothers with a capital of less than Rs 1 lakh. They continued the business they were best at — trading in dyes and chemicals.

Slowly, but surely, trade grew into manufacture. "We are conservative people. We go slowly. We wanted to get the base and then slowly build on it," says BK. In end-1959, the brothers launched Parekh Dyechem Industries, which, apart from producing dyes and chemicals, manufactured adhesives brandnamed Fevicol.

NEW CONCEPT

In the late fifties, hardly anyone used resin-based adhesives to stick wood. "When we launched Fevicol, it was a totally new concept," explains BK. Most carpenters and furniture makers used *sarash*, a kind of animal glue. Given the low price of *sarash*, it was hardly surprising that Fevicol initially faced much consumer resistance. Says Parekh: "Since Fevicol was priced higher than the local concoction, there was a lot of resistance to Fevicol. We had to teach them the benefits of using our readymade product."

But once it gained acceptance, Fevicol had a field-day. The arrival of laminates spurred sales further. "The demand increased like anything. At that time, there was no other similar product in the market," says BK.

Soon, the Parekhs felt the need to augment capacity. In 1965, they took over Kondivita Paper & Board Mills Pvt. Ltd., a sick company, fitted it out for the manufacture of chemicals, and stepped up production. In 1984, this company was merged with Parekh Dyechem to form Pidilite Industries Ltd., now the flagship of the group. In the year ended 31 March 1988, Pidilite squeezed out a turnover of Rs 22 crores and profit after tax of Rs 1.86 crores.

As the Parekhs branched out into other chemical products, the group sired other corporate offspring. PDI Chemicals Ltd., for instance, promoted in 1959 as a partnership firm to manufacture organic pigments, synthetic resins, intermediates, surfactants and auxiliary chemicals among others, was incorporated in 1969. And now plans are afoot to merge this company with Pidilite Industries sometime next year "and probably go public in 1991," hints BK.

The group has its own marketing division: Parekh Marketing Ltd. The other companies are Tribeni Chemicals Ltd., Nebula Chemicals Ltd., and Kalva Chemicals Ltd., which between them manufacture a diverse range of adhesives, organic pigments, synthetic resins, auxiliary chemicals, etc., that find use in product lines ranging from packaging to defence, covering more than 200 products. By end-March 1989, the group turnover has swelled to Rs 85 crores and the employee strength to 1,200. Organisationally too, the group has spread its wings. There are now six companies with 10 manufacturing units. B.K. Parekh, son of a farmer has come a long way.



THE KONDIVITA PLANT AT ANDHERI, BOMBAY

Today, a five-man army consisting of BK and his four brothers — Himatlal, Chimanlal, Sushilkumar and Narendra — runs the group. While HK looks into factory-oriented construction activities and the accounts department, CK helps out with the marketing side. SK, co-founder of the group, pulls the purse strings. He manages the finance, purchase and commercial functions.

Under their stewardship, the adhesives business has extended far beyond the wood-based glues they initially began with. Explains BK: "In adhesives itself there are different varieties. We mostly manufacture resin-based, synthetic rubber-based, epoxy and cyanoacrylate adhesives. The synthetic resin we produce can

B.K. PAREKH WINS BY STICKING IT OUT





The spirit that makes the mould breaks the mould.

In technology, as in music, the confines of an existing mould is like a cocoon.
You make it yourself, but you also need to break it if you want to fly. And flying is always risky because there are no footprints in the sky, no well-lit highways.
From its beginning as a foundry, Mukand cast itself into the mould of a mini-steel plant as early as the 1940's. Mukand became the first to adopt the continuous casting process of steel making in the 1960's, even though the technology was in its infancy, worldwide. Mukand has already broken its mould and become a midi-steel plant. Manufacturing not only a variety of speciality steels, also engaging in allied activities like machine building, bulk material handling equipment and engineering construction. While others lay in the cosy comfort of conventional



nnology, Mukand broke out
he mould to introduce such
ovations as vacuum
gen decarburisation in the
nufacture of stainless
el, easy draw cooling
stem for wire rods and
trolled surface layer
ess for colouring of
ss steels.

And then Mukand found even
its name Mukand Iron and
Steel Works Limited too
confining
And broke out of the mould to
become Mukand Ltd.
Because if you want to fly,
travel light.

Special Steels
Machine Building
Castings
Engineering Construction

A N D

MUKAND LTD
MASTERMINDS IN STEEL

Rediffusion M 763

PAREKH GROUP COMPANIES

(Rs crores)

	Sales 1987-88*	Sales 1988-89**
Pidilite Industries Ltd.	22.0	25.8
PDI Chemicals Ltd.	29.0	37.5
Parekh Marketing Ltd.	52.0	56.4
Triveni Chemicals Ltd.	9.0	11.3
Nebula Chemicals Ltd.	7.0	7.7
Kalva Chemicals Ltd.	2.0	4.6

** For 12 months ended 30 June 1988*
*** For 9 months ended 31 March 1989, on an annualised basis*
Source. Company

be used for adhesive purposes and also as a binder in the paint industry."

In the epoxy adhesives category, the company markets Fevitite, which is used to bond non-porous surfaces such as metals, glass and plastics. This, however, has not been as successful. Its main competitor Araldite (manufactured by Ciba-Geigy) is better known. In cyanoacrylate or instant adhesives, the Parekhs have recently developed Wonder Glue. "We already manufacture this product for industrial use. We will shortly introduce it for consumer products as well," says BK.

Most of these adhesives are marketed under the brandname Fevicol. Apart from the Fevicol range, pigment emulsions brandnamed Arcon, which are used in textile printing, are also a major strength. "Initially, this product was very important for our organisation as it financed many of our later projects," says BK.

Three years ago, the group diversified into acrylic colours, challenging in the process the monopoly of Camlin Pvt. Ltd. Claims BK: "We now have a 50% share of the market for art materials." An innovative concept developed by the Parekhs helped to carve out this marketshare. Unlike other companies which sold the colour and binder separately, Pidilite mixed both. This new product, it claims, has a shelf life of at least one year. Emboldened by this success, Pidilite has now ventured into poster colours. "We expect to garner 30%-40% of the market in the first year itself," BK says confidently.



M.B. PAREKH IS BREAKING NEW GROUND

Another Parekh innovation has been in the manufacture of paints. To cater to the rural and downmarket segments, Pidilite introduced Piditint lime colour concentrate. Paint companies have tried to tap these segments by offering a tint called Unitint. Tinted powders such as Asian Paints' Apcolite are also targeted at these segments. "While Unitint is expensive, powders are messy. Piditint came in between, and scored again," says BK.

Successful as these products are, the star performer still remains Fevicol. The adhesives have long held their own despite the proliferation of me-too brands. These include, as mentioned earlier, heavyweight contenders such as Camlin's Camlicol. "Besides these, there are also a lot of regional brands," says BK. These sprang up after Vam Organics and Polychem Ltd. began to manufacture vinyl acetate monomer (Vam — the basic raw material). However, BK shrugs off the threat and maintains that Fevicol adhesives still enjoy a market share of 60%-65%.

This strong market domination has been the result of consistent quality control. "Scrupulous attention has been paid to quality, service to the dealers and continuous contact with end users. We have 400 marketing personnel who also conduct sales promotion activities in every region. We call carpenters over and show them slides or video films to increase their awareness of our products. We also send them our magazine, *Fevigraph*," says BK.

An even more effective marketing tool is the teachers' training classes. Housewives are 'taught' the procedure and benefits of usi Fevicol adhesives and colours. Th in turn, teach others. "Today there thousands of such teachers who ca on this activity part-time. Apart fr spreading the Fevicol message, th benefit in two ways. They condu hobby classes and design greeti cards and market them," adds BK

FURTHER EXPANSION

The Parekhs are now all set further expansion. "We believe sticking to the knitting," says B Their new project will enable t group to integrate backwards. On t anvil is a company styled Vinyl Ch micals (India) Ltd. to manufactu Vam. Says Madhukar B. Parekh, BK son and managing director of the ne company, "Our approach is to slow integrate." The plant, at an installe capacity of 10,000 tonnes per annu is being set up in the Raigad distri of Maharashtra.

The company has entered into collaboration with Uhde GmbH, subsidiary of the West German gia Hoechst. Says Madhukar, who has master's degree in chemical enginee ing from the US, "The new proje has many features. This is the fir time we are tying up with a foreig collaborator for technology. This also the first company in the group t go public," Vinyl Chemicals will b the first company in India to manu facture Vam directly from ethylene.

According to Madhukar, Vinu Chemicals decided to go public be cause of the project's size. "This is th biggest project in the group so far, adds BK. "All our earlier project were financed by internal cash gen eration and with funds from th banks. And whatever cash surpluse there were, we ploughed back int the business." But the time has nov come to expand beyond these fron tiers and to break new ground. In tha sense, the Vinyl Chemicals project i not the end but a new beginning.

So far, the Parekh group has suc ceeded by tempering its innovative drive with a cautious business in stinct. After Vinyl Chemicals, un doubtedly other projects will follow Will these, too, attain the popularity of Fevicol? They well might; after all the Parekhs have always been the kind who win by sticking it out till victory is theirs.

■ *K. Madhavadas*

PICKING NEW ISSUES

The Madras-based **Sterling Computers Ltd.** is the third largest outfit in the computer industry. It has been one of the major success stories in the Indian computer industry with its Siva PC range which now commands about 12% share of the market.

Sterling Computers is part of the Rs 85 crore turnover Sterling group. Starting from scratch nearly five years ago, the group has achieved phenomenal growth with turnover leapfrogging to Rs 85 crores in 1988-89.

The company was incorporated in February 1981 as a private limited company as Sterling Electronics Pvt. Ltd. Its name was changed to Sterling Computers Pvt. Ltd. in July 1988 and thereafter in April it became a public limited company. The company manufactures personal computer systems at Perungudi near Madras under the brandnames Siva PC, Siva PC/XT, Siva PC/AT and Siva PC AT/386. Sterling Computers has facilities to manufacture 300 systems per day. This is to be increased substantially. It also plans to manufacture Laptop computers, PC-Fax machines and local area networks.

Sterling Computers entered the export market in 1987. By 1989, exports accounted for 30% of the turnover. The company has an excellent track record. Turnover, which was placed at Rs 3.42 crores for the year ended 30 April 1986, shot up to Rs 54.49 crores for the 11-month period ended 31 March 1989. During this period net profit rose from Rs 44 lakhs to Rs 5.2 crores. Sterling Computers has proposed a dividend of 100% for the year ended 31 March 1989. For the preceding three years, it gave dividends of 24%, 60% and 350%.

The dividend of 100% is payable on an increased capital of Rs 50 lakhs compared to Rs 5 lakhs in the earlier years. Prior to allotment of shares to the public, the company will capitalise reserves to the extent of Rs 3.5 crores through an issue of bonus shares in the ratio of 7:1, increasing the capital to Rs 4 crores. The fresh issue of Rs 3.5 crores will add a further Rs 1 crore to the equity capital and Rs 2.5 crores to the reserves. Thus the capital would stand at Rs 5 crores and the reserves at Rs 16.52 crores, accounting for a book value per share of Rs 36. The earnings per share on the expanded capital on an annualised basis work out to Rs 11.35.

In order to part-finance its expansion schemes and meet its fresh working capital requirements, the company is making a public issue of 10 lakh equity shares of Rs 10 each at a premium of Rs 25 per share. The new equity shares will rank *pari passu* in all respects with the existing shares except that the holders of the new shares will only be entitled to dividend in proportion to the amount paid up on the equity shares for the financial year commencing from 1 April 1989 irrespective of the date of allotment.

Based on the company's track record and its future potential the issue appears very attractive.

Issue opening date: 10 July.

Asian Coffee Ltd. (ACL) is a 100% export-oriented project for the manufacture of 1,500 tonnes per annum of soluble coffee. It is nearing completion and is expected to commence trial production by September 1989. ACL has been promoted by C. Rajendra Prasad, Annam Dilip Kumar and Challa Suresh. ACL is an assisted unit of the Andhra Pradesh Industrial Development Corporation Ltd., which has contributed Rs 56 lakhs to the company's equity.

The Commonwealth Development Corporation, UK, a statutory corporation, has invested Rs 60 lakhs in ACL's equity and has extended a foreign currency loan of £1.26 million (Rs 3.3 crores).

ACL is being set up with technical assistance from Brazilian Food Project Commercio Exportacao Ltd. (BFP), Brazil. The technical arrangements with BFP cover plant design, supply, erection and operational assistance besides manpower training.

The total cost of the project is estimated at around Rs 12 crores. The equity financing is to the extent of Rs 4.54 crores accounting for 38% of the project cost.

The year 1990-91 is expected to be the first full year of production. ACL hopes to achieve a turnover of Rs 11 crores and a gross profit of Rs 2.65 crores in this year. For the next year, the company is aiming for a turnover of Rs 14 crores and a gross profit of Rs 3 crores.

To part-finance its project, the company is making a public issue of 22,28,500 equity shares at par. It is most likely that the company may propose a maiden dividend in 1991-92, i.e. the second year of full production, and hence the short-term prospects for ACL appear not too exciting.

Issue opening date: 5 July.

For investors seeking good buys in the primary market, there are a couple of rights and public issues worth looking at

Sulzer India is jointly promoted by Austrind Consultant Co. Ltd. and Sulzer Brothers Ltd., Switzerland. Austrind Consultant Co. is a member of RPG Enterprises Ltd., while Sulzer Brothers Ltd., is a multiproduct company manufacturing a wide range of hi-tech industrial machinery and equipment used in almost all sectors of industry. Sulzer India will manufacture and market similar products tailored to customers' specifications. The range includes not only import substitutes but also add-ons to existing Sulzer installations in India.

The company has tied up technically with Sulzer Brothers Ltd., and its associate com-

panies. The total cost of the project is estimated at Rs 10.2 crores. Of this, equity financing will be to the extent of Rs 3 crores, representing about 29% of the project cost. A part of the project has already been implemented and has begun yielding incomes. Full commercial production is expected to commence by the end of September 1989.

The company hopes to notch up a turnover (including trading) of Rs 50 crores during the first year of operations, with a likely gross profit of Rs 2.50 crores. In the second year, the turnover is projected at Rs 65 crores with a gross profit of Rs 5 crores. The company is hopeful of declaring a maiden dividend in its first year of operations ending March 1990.

In order to part-finance the first phase of the venture, the company is issuing 6 lakh equity shares at par to the public amounting to 20% of the equity capital. The Indian promoters and the foreign collaborators will hold the balance 80% in equal proportion.

The company will have an option to retain oversubscription to the extent of Rs 45 lakhs of the entire issue as consented by the Controller of Capital Issues. In the event of such a retention, the promoters will have an option to subscribe to the equity shares to such an extent as would enable them to retain their shareholding in the subscribed capital of the company at the respective levels.

For the second phase, the company is likely to consider a rights issue. The issue appears attractive from the long-term point of view.

Issue opening date: 10 July.

Kanakdhara Steel has been promoted by Sudarshan Khaitan to manufacture high alloy and special steels at Paithan in Aurangabad, Maharashtra. The plant will initially manufacture 10,000 tonnes per annum of high grade castings which would be doubled the next year. The company has already started trial runs and is expected to go into commercial production by August 1989.

The project is estimated to cost Rs 12.40 crores and is to be financed by equity to the extent of Rs 4.30 crores.

The breakeven point of the project has been estimated at 50%. During the first year of operation, the company hopes to achieve a turnover of Rs 30 crores and a likely gross profit of Rs 2.25 crores.

In the second year, the turnover is expected to go up to Rs 63 crores with a gross profit of Rs 6.80 crores. The turnover in the third year is projected at Rs 90 crores with a gross profit of Rs 10.5 crores.

The issue appears good from the long-term point of view.

Issue opening date: 18 July.

McDowell & Co., a UB group company, till recently followed a conservative dividend policy but was liberal in the issue of bonus shares. Over the past 12 years it has issued bonu shares thrice and on each occasion the rati was 1:1. Based on the dividend distributio during the past three years, it appears that th company is also changing its dividend polic from conservative to liberal. Dividends durin the past three years have been hiked from 10% to 15% to 20%.

The company's financial performance durin the nine-month period ended 31 March 198 has been excellent. It has achieved a turnover o Rs 134 crores as compared to Rs 157 crores fo the earlier 12-month period. On an annualise basis, the rise works out to 14%.

Net profit for the nine month period exceed the profit for the whole of last year at Rs 8.7 crores compared to Rs 8.6 crore, an increase o 34% on an annualised basis.

The company operates two divisions: liquo and petrochemicals. The former has fared wel despite the burden of additional levies and lowering of liquor purchase prices in Tami Nadu, a major market.

The petrochemicals division of the company is taking up an expansion-cum-modernisation programme, envisaging an outlay of Rs 150 crores. On 27 June 1988, the expandable polystyrene plant was commissioned and its performance has been encouraging.

The company has got the government go-ahead for technical collaboration with UOP of the US to expand styrene capacity.

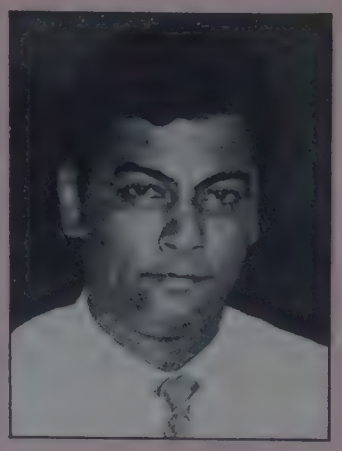
The product development wing of the division has developed new grades of expandable polystyrene and has successfully introduced them in the country for the first time.

The company proposes to set up an acrylonitrite butadiene styrene (ABS) project with a capacity of 5,000 tonnes per annum at a cost of Rs 33 crores in collaboration with Japan Synthetic Rubber Co. Besides, it is expanding its styrene capacity by putting up a new plant entailing an investment of Rs 113 crores.

The expansion programme will result in the company's turnover going up to Rs 500 crores by 1992-93 by which time the turnover of the polymer division may surpass that of the liquor division. In order to raise resources for its new ventures, the company is making an issue of 11,52,375 rights convertible debentures of Rs 200 each for cash at par aggregating Rs 23.05 crores. 50% of the face value of each debenture (i.e. Rs 100) will be converted into two equity shares of Rs 10 each at a premium of Rs 40 per share at the end of six months from the date of allotment.

The rights offer for convertible debentures will be in the proportion of 15 debentures for every 100 shares held. The rights issue is strongly recommended.

Issue opening date: 28 June.
Issue closing date: 29 July.



■ *Clifton Desilva*

The author is a Bombay-based investment manager.

BULL CHARGE

Stock exchanges around the country continued to be in the pink of health during the fortnight ended 23 June. Sustained speculative buying coupled with massive institutional support cheered the market sentiment. Also, the flow of encouraging corporate reports boosted the upward trend. Lower contango charges at 12% per annum forced bear operators to square up their sales positions and induced the bulls to lend fresh support.

Reflecting the bullish trend in equities the *Economic Times* index of ordinary shares jumped up from 388.9 on 9 June to 397.9 on 23 June — a gain of 2.31%. The *Financial Express* equity index advanced from 575.79 to 607.66 during the same period. The *BusinessWorld* index rose from 199.52 on 9 June to 210.02 on 23 June.

The highlight of trading during the fortnight was the unprecedented rise in the Tata Locomotive scrip, which shot up from Rs 777.50 to Rs 917.50 (an 18.1% increase), following the announcement of a hike in dividend and improved profits. As a result, the *ET* index for transport vehicles shares hardened to 349.3 on brisk speculative buying. Tyres and tubes shares also zoomed in the wake of the government's move to delicense the industry.

With the onset of good monsoons in many parts of the country, fertilisers and chemicals shares hardened further.

Manmade fibres shares were in demand and the *ET* index for these scrips moved up from 216 to 224.7. Basic metals shares, too, showed a bullish trend.

However, cement shares continued to slide in the absence of fresh support

■ *S. Dhruv*

BUSINESSWORLD STOCKMARKET TABLE

	INDUSTRY/COMPANY	FACE VALUE (Rs)	YEAR ENDED	SALES (Rs crores)	EQUITY CAPITAL (Rs crores)	COMPOUND GROWTH OVER 5 YRS (%) IN EARNINGS	COMPOUND GROWTH OVER 5 YRS (%) IN DIVIDENDS	EPS (Rs)	P/E 23 JUNE	P/B.V 23 JUNE	PAYOUT	SHARE PRICE 23 JUNE (Rs)	MK.CAP 23 JUNE (Rs crores)	%CH.CAP Over 9 JUNE
I.	**AUTO ANC & TYRES**													
1	CEAT	10	30/06/88	364.38	14.76	41.22	20.49	13.60	11.76	3.22	0.15	160.00	236.16	18.52
2	CHLORIDE	10	31/12/88	188.40	20.66	13.29	17.42	5.05	16.24	4.56	0.61	82.00	169.41	-2.38
3.	MICO	100	31/12/88	228.26	38.05	17.48	11.48	38.79	17.27	2.72	0.36	670.00	254.94	7.20
4.	MODI RUBBER	10	30/04/88	400.13	14.53	23.21	4.76	10.20	8.70	2.30	0.18	88.75	128.97	4.41
II.	**BASIC CHEMICALS**													
5	NOCIL	100	31/03/89	450.00	36.00	32.31	23.82	38.79	25.72	3.04	0.82	997.50	359.10	9.92
6	TATA CHEM	10	31/03/88	230.40	36.19	-8.63	27.27	2.03	59.61	2.35	1.48	121.00	437.90	2.98
III.	**BASIC METALS**													
7	HINDALCO	10	31/12/87	372.05	17.81	39.94	9.89	11.48	26.57	7.12	0.15	305.00	543.17	8.93
8	INDIA FOILS	10	31/03/89	112.10	4.38	13.41	-2.66	4.93	17.75	1.94	0.19	87.50	38.33	-2.77
9	MUKAND	10	30/06/88	303.02	14.74	20.11	12.76	8.08	15.78	8.28	0.21	127.50	187.94	7.14
10	TISCO	100	31/03/88	1526.78	155.89	8.51	14.28	59.11	24.87	3.45	0.33	1470.00	2291.58	8.09
IV.	**CEMENT**													
11	ANDHRA CEMENT	10	31/03/88	43.55	11.94	N.A.	-100.00	-11.93	0.80	1.23	0.00	9.50	11.34	7.35
12	ACC	100	31/07/88	798.13	55.96	-19.68	-3.67	12.24	26.18	0.87	0.64	320.50	179.35	0.93
V.	**CHEM INTERMEDIATES**													
13	BASF	10	31/12/87	59.30	4.26	10.15	15.88	4.83	29.50	4.34	0.28	142.50	60.71	4.35
14	COLOUR-CHEM	100	31/03/88	86.51	7.94	10.81	4.63	37.53	13.19	1.95	0.53	495.00	39.30	0.00
15	DEEPAK NITRITE	10	31/10/87	23.60	2.43	10.30	5.05	3.99	20.55	3.09	0.36	82.00	19.93	17.17
VI.	**COMM VEHICLES**													
16	BAJAJ TEMPO	10	30/09/87	152.91	6.58	-25.31	4.06	2.64	51.61	1.85	0.47	136.25	89.65	2.82
17	MAH & MAH	10	31/10/87	599.28	19.26	1.11	9.40	5.76	17.71	2.20	0.38	102.00	196.45	6.81
18	TELCO	100	31/03/88	1402.55	104.62	4.92	12.24	25.76	35.62	3.39	0.48	917.50	959.89	18.01
VII.	**CONS DURABLES**													
19	ASIAN PAINTS	10	31/12/87	201.72	12.45	32.95	30.02	10.07	20.11	5.57	0.30	202.50	252.11	5.88
20	PEICO	10	31/12/87	385.93	33.32	1.54	-8.12	1.04	17.31	0.92	0.96	18.00	59.98	-16.28
21	VIP INDUSTRIES	10	31/07/88	67.42	5.99	-4.21	N.A.	1.22	13.32	0.86	1.23	16.25	9.73	1.57
VIII.	**COTTON TEXT**													
22	CENTURY SPG	100	31/12/88	521.27	26.62	15.65	14.96	97.82	20.55	3.41	0.31	2010.00	535.06	8.65
23	MADURA COATS	10	30/06/88	258.49	21.81	11.31	15.56	6.49	16.18	3.62	0.46	105.00	229.01	1.95
24	RAYMONDS	10	31/03/88	235.71	22.48	15.95	34.70	3.43	23.32	2.57	0.73	80.00	179.84	1.24
IX.	**DOMES CONS PROD**													
25	COLGATE	10	31/12/87	182.20	15.72	27.89	24.19	9.63	34.14	16.72	0.52	328.75	516.80	-1.13
26	HINDUSTAN LEVER	10	31/12/88	1001.78	93.32	11.61	23.44	5.23	18.64	4.50	0.61	97.50	909.87	10.17
27	ITC	10	30/06/88	1190.45	33.17	20.17	13.21	7.47	15.80	4.24	0.47	118.00	391.41	2.61
28	McDOWELL	10	30/06/88	157.19	7.74	-1.73	39.89	9.23	10.29	1.79	0.18	95.00	73.53	11.76
29	RECK & COLMAN	10	03/01/89	71.39	8.40	25.00	27.05	8.10	25.62	7.89	0.37	207.50	174.30	5.73
X	**ELEC. ENGG**													
30	BEST & CROMP	10	31/03/88	169.21	7.09	-20.75	-7.07	1.10	33.64	1.01	0.58	37.00	26.23	0.00
31	FINOLEX CAB	10	31/03/89	126.10	3.24	55.17	44.16	44.00	8.41	3.68	0.10	370.00	119.88	10.45
32	GENELEC	10	30/06/88	52.70	2.16	12.13	0.86	6.48	5.56	1.01	0.23	36.00	7.78	2.91
33	OTIS	10	30/11/87	54.28	5.04	18.55	15.36	7.58	25.73	6.71	0.33	195.00	98.28	1.27
34	SIEMENS	10	30/09/88	223.00	20.77	4.23	11.29	3.27	22.02	1.89	0.49	72.00	149.54	1.40

BUSINESSWORLD STOCKMARKET TABLE

	INDUSTRY/COMPANY	FACE VALUE (Rs)	YEAR ENDED	SALES (Rs crores)	EQUITY CAPITAL (Rs crores)	COMPOUND GROWTH OVER 5 YRS (%) IN EARNINGS	COMPOUND GROWTH OVER 5 YRS (%) IN DIVIDENDS	EPS (Rs)	P/E 23 JUNE	P/B.V 23 JUNE	PAYOUT	SHARE PRICE 23 JUNE (Rs)	MK.CAP 23 JUNE (Rs crores)	%CH.CAP Over 9 JUNE
XI	**EQUIP. MANUF**													
35.	INGERSOLL	10	31 12 87	77.14	7.89	21.93	15.81	10.99	38.44	11.41	0.27	422.50	333.35	6.96
36.	KIRLOS CUMM	10	30/09/88	186.20	26.40	6.01	20.56	4.32	15.97	2.64	0.52	69.00	182.16	-9.51
37.	MATHER & PLATT	10	30/06/89	46.92	10.24	15.18	16.31	3.60	12.22	2.69	0.43	44.00	45.06	0.00
XII.	**FERTILISER**													
38.	GSFC	10	31/12 87	357.40	26.94	23.47	15.88	13.07	12.15	2.17	0.23	158.75	427.61	5.83
39.	SPIC	10	31 12 87	391.00	34.42	-23.16	N.A.	1.47	38.27	1.91	1.01	56.25	193.61	-0.44
XIII.	**FOOD PROD**													
40.	BRITANNIA	10	30 11 87	192.10	12.38	23.92	16.60	6.37	14.91	3.53	0.38	95.00	117.61	1.34
41.	BROOKE BOND	10	31 12 88	639.94	24.73	24.33	15.97	9.84	14.94	5.14	0.38	147.00	363.53	0.68
42.	HIND COCOA	10	30/06/88	73.70	8.40	16.55	21.10	4.45	24.72	5.15	0.45	110.00	92.40	1.85
XIV.	**HEAVY ENGG PROJ**													
43.	ELECON ENGG	10	31 12 87	113.00	5.65	0.89	13.60	4.60	14.35	1.23	0.33	66.00	37.28	-0.75
44.	GAMMON	10	31 07 88	103.22	2.16	1.84	-2.38	2.73	40.29	1.50	0.66	110.00	23.76	0.00
45.	HIND DORR	10	30 11 87	42.66	2.38	25.48	14.03	16.43	8.22	2.43	0.23	135.00	32.13	-5.28
46.	ALFA LAVAL	10	31 03 89	73.73	5.21	31.32	8.38	11.94	10.47	2.43	0.17	125.00	65.13	-7.41
XV	**LIGHT ENGG**													
47.	SKF BEARING	100	31 12 87	83.86	24.70	15.64	7.60	43.89	31.21	6.14	0.25	1370.00	338.39	5.38
48.	BHARAT FORGE	10	30 09 87	120.10	11.42	33.86	6.63	5.76	13.02	2.24	0.22	75.00	85.65	46.34
49.	IND OXYGEN	10	30 09 87	131.00	14.60	-9.51	1.03	2.16	20.83	2.12	0.74	45.00	65.70	-7.22
50.	SANDVIK ASIA	100	31 12 88	45.81	5.78	9.31	12.33	46.89	13.86	2.58	0.53	650.00	37.57	0.00
XVI.	**MULTI PRODUCTS**													
51.	ICI	10	31 03 89	876.98	40.87	4.98	-0.06	3.41	18.33	2.04	0.44	62.50	255.44	13.63
52.	LARSEN & TOUBRO	10	31 03 89	1085.00	68.75	6.68	16.70	4.16	21.15	1.90	0.48	88.00	605.00	1.15
53.	RALLIS	10	31 05 88	261.66	9.52	14.72	20.80	4.86	26.23	3.18	0.62	127.50	121.38	-1.92
54.	VOLTAS	100	30 08 88	544.70	12.78	16.68	12.34	75.89	11.13	2.45	0.29	845.00	107.99	17.35
XVII.	**PASS VEHICLES**													
55.	BAJAJ AUTO	10	30/06/88	552.83	18.82	30.54	28.68	15.54	24.13	3.27	0.26	375.00	705.75	0.00
56.	KINETIC ENGG	10	30/06/88	101.91	1.20	22.51	21.92	31.33	6.00	1.17	0.13	188.00	22.56	1.62
57.	HIND MOTORS	10	31 03 88	429.99	26.41	N.A	-7.20	-1.02	-37.99	1.29	-0.74	38.75	102.34	0.65
XVIII.	**PEST & AGROCHEM**													
58.	BAYER	100	31 03 89	162.30	16.22	19 37	19.42	46 05	19 54	4.58	0.52	900.00	145.98	11.11
59.	SEARLE	10	31 03 89	52.00	5.22	21.84	21.32	4.29	25.64	2.64	0.39	110.00	57.42	-4.35
XIX.	**PHARMA**													
60.	GLINDIA	10	30/06/88	230.13	20.00	14.50	8.10	5.08	17.81	3.80	0.39	90.50	181.00	-5.73
61.	HIND CIBA	100	31/12/87	176.80	17.71	6.26	13.26	38.17	26.20	3.58	0.52	1000.00	177.10	6.39
62.	HOECHST	100	31/12/87	158.81	9.58	-16.27	-6.52	13.67	54.13	2.00	0.73	740.00	70.89	-4.53
XX.	**PLANTATIONS**													
63.	ASSAM CO	10	30/06/88	46.88	7.00	39.73	42.02	7.59	18.12	3.47	0.53	137.50	96.25	-1.79
64.	McLEOD RUSSEL	10	30/06/88	61.50	6.25	34.22	24.65	10.32	10.05	2.26	0.35	103.75	64.84	-3.50
65.	TATA TEA	10	31/03/89	231.43	17.09	26.21	N.A	7.99.	19.59	3.51	0.50	156.50	267.46	3.64
XXI.	**PLASTICS & PAPER**													
66.	BALLARPUR	10	30/06/88	371.00	13.98	-3.45	-1.17	3.44	53.05	3.14	0.64	182.50	255.14	-6.41
67.	BHADRACHALAM	10	31/03/89	101.07	10.57	-5.52	9.52	3.79	27.04	3.57	2.00	102.50	108.34	3.54
68.	GARWARE POLY	10	30/06/88	102.82	10.94	19.25	23.48	5.29	13.42	2.19	0.29	71.00	77.67	4.41
69.	SUPREME IND	10	30/06/88	68.92	1.80	32.68	31.43	18.67	11.38	4.66	0.19	212.50	38.25	-6.59
XXII.	**POWER GENERATION**													
70.	CAL ELEC SUPP	10	31/03/88	358.72	16.95	9.44	10.82	4.93	6.24	0.62	0.32	30.75	52.12	-0.82
71.	TATA POWER	100	31/03/88	342.42	20.00	14.09	11.91	86.10	4.12	0.74	0.21	355.00	71.00	7.58
XXIII.	**SERVICE IND**													
72.	EAST IND HOTELS	10	31/03/88	80.25	23.61	1.77	3.69	2.94	19.73	2.16	0.52	58.00	136.94	7.41
73.	HDFC	100	31/03/89	107.73	19.79	37.95	23.95	97.68	2.41	1.08	0.19	235.00	46.51	2.17
74.	20TH CENT FIN	10	31/03/89	26.35	8.88	24.30	32.06	4.00	6.50	1.14	0.55	26.00	23.09	6.11
75.	TATA UNISYS	10	31/12/87	27.12	4.38	-1.18	12.19	3.54	21.89	4.24	0.62	77.50	33.95	3.35
XXIV.	**SHIPPING**													
76.	ESSAR SHIP	10	31/12/87	60.50	33.42	8.46	25.04	2.33	10.09	1.10	0.86	23.50	78.54	3.30
77.	GR EASTERN	10	30/06/88	112.55	55.66	12.54	7.85	1.69	24.85	2.46	0.51	42.00	233.77	5.39
XXV	**SYNTHETIC TEXTILES**													
78.	CENTURY ENKA	100	31/12/88	308.79	16.61	37.53	20.82	223.24	12.21	4.05	0.19	2725.00	452.62	5.21
79.	GRASIM	10	31/03/88	675.67	37.78	16.35	6.46	4.39	27.33	3.03	0.36	120.00	453.39	4.35
80.	RELIANCE	10	30/06/88	1778.19	152.04	15.36	42.28	3.45	38.41	1.98	0.70	132.50	2014.53	10.42
	TOTAL			24412.99	1812.45								19435.67	

BUSINESSWORLD INDEX (23 JUNE) = 210.02 9 JUNE = 199.52 (BASE 29 JUNE 1987 = 100)

EPS = EARNINGS PER SHARE P/E = PRICE EARNINGS RATIO P/B.V. = MARKET PRICE TO BOOK VALUE %CH.CAP = PERCENTAGE CHANGE IN MARKET CAPITALISATION

TATAFONE

Requires

Marketing and Sales Professionals

Tata Keltron Limited, a Tata Group company, in collaboration with Siemens A.G., West Germany, manufactures Electronic Push Button Telephones in Palghat. A range of related electronic products is also planned for the near future.

The company is looking for top performers in Marketing and Sales. Tata Keltron Limited offers selected candidates a goal-oriented work environment, growth with a market leader and the satisfaction of working with a professional team.

General Manager Marketing

Location: At the Company's Corporate Office, in Palghat.

Qualification: Must be an MBA from a reputed management institute.

Experience: Should have about 15 years experience in various facets of marketing, preferably in the consumer products industry.

Job: Reporting to the President, responsibilities include evolving and implementing the marketing strategy, building the marketing team, institutional and consumer sales management, advertising, pricing, new projects identification, etc.

Branch Managers

Location: Openings exist in Bombay, Delhi, Calcutta and Madras.

Qualification: Must be MBAs, preferably with a background in electronics.

Experience: Should have about 4 years sales management experience in a reputed company, preferably in the consumer products industry.

Job: Responsibilities include achieving institutional and retail sales targets in the Zone through the sales force, dealer development, sales administration, service administration, sales promotion, sales forecasting, market intelligence.

We offer excellent emoluments plus perks.

Please apply in confidence, superscribing the envelope and application with the post applied for, giving details of age, qualification, experience and present employment/emoluments to:

The President
Tata Keltron Limited
(Formerly Keltron Telephone Instruments Ltd.)
Community Hall, Chandranagar
PALGHAT - 678 007

1 2 3 4 5
6 7 8 9 0 #

TATA
KELTRON

SENIOR ENGINEER

IF YOU ARE AN ENGINEER INTERESTED IN

co-ordinating manufacturing operations in India

travelling abroad to promote sales

advancing your career through sincere endeavour and by taking on new challenges

THEN WE ARE INTERESTED IN YOU!

WE are a group whose exports this year will be well in excess of Rs. 100 crores.

WE are looking for engineers with 5-10 years experience in production and production planning and who share our desire to upgrade and improve both manufacturing practices and product quality.

WE offer a rewarding career with unlimited growth prospects to the individual who meets with our requirements. Needless to say emoluments will be attractive and will not be a limiting factor for the right candidate.

Applications with complete bio-data and salary expectations should be forwarded to Box No 725,
Businessworld,
6 Prafulla Sarkar Street,
Calcutta-700001.

Crompton Greaves

requires

COMPUTER PROFESSIONALS at all major cities in India for its rapidly growing Computer Division.

The Computer Division has recently made a spectacular entry into the market with various computer systems like IBM Compatible. It is presently poised to market 68020 based multi-terminal Mini Computers, point of sale Computers and customer service centres, which will be manufactured by the Company in India in collaboration with a world renowned Computer Company.

To supplement the existing marketing efforts, we are looking for the following Computer Hardware, Software and Maintenance expertise.

Senior Marketing Executives (Hardware)

Applicants should be Graduates in Engineering with an MBA in Marketing and a minimum of 5 to 7 years experience in marketing Computer Systems and Data Communication products.

Senior Marketing Executives (Software)

Applicants should be Graduates in Engineering/Post-Graduates in Science/Masters in Computer Science with 5 to 7 years experience in Software development on PC Compatibles/68000 based Super-Minis with UNIX operating systems.

Experience in Data Bases/4 GL will be preferred.

Customer Support Engineers

Applicants should be Graduates in Engineering with a minimum of 2 to 3 years experience in the maintenance of UNIX based Minis.

The Company provides a challenging work environment and career growth opportunities. Compensation and perquisites will be commensurate with qualification and experience.

Please apply within 10 days with complete bio-data and superscribing the envelope with the Code: "CMD" to:

General Manager (HRD)
Crompton Greaves Ltd.
1, Dr VB Gandhi Marg
Bombay 400 023.

Crompton Greaves LIMITED
We were the first. We are the future.

GENERAL MANAGER - MARKETING
FINANCIAL SERVICES

Madras **Attractive compensation**

A financial services company promoted by a leading industrial group in Madras wishes to recruit a General Manager – Marketing for this division.

The incumbent reporting to the Chief Executive will be responsible for marketing the entire range of financial services products including consumer durable financing, leasing, hire purchase, etc. Candidates should be CAs/MBAs with experience of around 5-10 years in handling these products. Persons working in banks with experience in credit and credit assistance could also be considered. Preferred age around 30-35 years.

Salary would not be a constraint for the right candidate and would include all senior management perquisites like housing and car. Growth prospects are excellent.

Please apply in strict confidence within 10 days to:

A.F. Ferguson Associates
Post Bag No. 1261
Madras 600 034

giving full details of age, qualifications, experience and salaries drawn. Applications and envelopes should be marked **"Ref:MS/4355."**

UB-PICKER

R E Q U I R E S

REGIONAL SALES MANAGER

The UB Group, with a turnover of over Rs. 1000 crores, is one of the fastest growing industrial groups in the country today with a widely diversified business portfolio from liquor and food products to high-tech fields such as Medical Electronics, Telecommunication equipment, Pharmaceuticals and Petrochemicals. The Group's management team comprises professional managers operating in a dynamic environment.

UB Picker, a Division of UB Electronic Instruments Limited, is part of the Electronics and Energy Products Division of the Group. The Division represents Picker International, USA for its range of Hi-tech Imaging systems such as MRI, CT Scanners, Gamma Cameras, Ultrasound Scanners, X-ray equipment etc.

To meet our growing requirements we wish to recruit a **REGIONAL SALES MANAGER (WEST)** to be located at **BOMBAY.**

This is a key appointment reporting to the Chief Executive and the selected candidate will head our Regional Sales and Service Office at Bombay.

He will manage and motivate a team of trained personnel to achieve sales, profitability and customer satisfaction goals to gain substantial market shares in the assigned area.

The ideal candidate would preferably be an Electronics Engineer with experience in selling similar Hi-tech equipment to the Medical Profession. He should have experience in managing a team of qualified personnel.

The above position is in the Management cadre, has excellent growth prospects, and offers an attractive remuneration package commensurate with qualifications and experience.

Interested candidates should apply within 10 days to:

The Chief Executive
UB PICKER
61, Sarvasukhi Society, West Marredpally,
SECUNDERABAD-500 026.

In association with THE UB GROUP

APPOINTMENTS

GUJARAT NYLONS LIMITED

KHARACH

Requires the following personnel

ASSTT. SHIFT ENGINEER (POLYMERISATION)

B.E./B.Tech. in Chemical Engineering/ Technical having about 3 years experience or Diploma in Chemical Engineering having about 15 years experience in large scale Chemical/ Fertilizer plant with modern instrumentation. Preference will be given to those having experience of polymerisation process in any synthetic fibre plant.

SENIOR OPERATORS/ OPERATORS/JR. OPERATORS

(A) Spinning
(B) Take-up
(C) Draw-Twisting
(D) Packing

Minimum SSC Pass.

Applicant should have experience of 3 to 12 years in operation of the above production sections and must be conversant with all the process and machine operation, product quality, operative maintenance and cleanliness of the process areas/equipment.

Candidates having sound health, good physique and willing to come in shift, only may apply.

GRADUATE ENGINEER TRAINEE (TEXTILE)

(Training period-2 years-stipend 1600&1800, first & second year resp.)

Graduate Engineer from recognised university/ institute in Textile Engineering with 1st division. Candidates who have appeared in the final semester may also apply but will have to produce their university certificates before joining the Company.

On successful completion of traineeship he will be absorbed in suitable cadre.

Salary for posts 1 & 2 will commensurate with qualification and experience. In addition, the post also carries benefits like Gratuity, Vehicle Allowance, Medical Reimbursement, Group Insurance, etc. as per the eligibility and rules of the Company. Selected candidates will be required to sign a SERVICE BOND as per the rules of the Company at the time of joining.

Persons meeting with the above requirements may apply giving full details within 10 days superscribing the envelope with the POST APPLIED FOR to:

Sr. Manager (P & A)

GUJARAT NYLONS LIMITED

Post Box No. 18, Kosamba (R.S.) Dist: Surat.

JAISONS GN1089

TOP FLIGHT PROFESSIONALS TO SPEARHEAD A 30 CRORE **BATTERY** PROJECT IN **COLLABORATION** WITH **TUDOR** S.A., **SPAIN**

Project promoted by a well known multiproduct industrial group with Rs. 160 crores turnover.

GENERAL MANAGER

To set up the project and assume complete profit centre responsibilities independently. Will be based initially at Gandhi Nagar and later at Bombay. Electrical/Mechanical Engineering qualifications essential preferably with M.B.A., and experience of setting new projects.

PLANT MANAGER

(Gandhi Nagar)

Responsible for technology transfer from collaborators and setting up & implementation of the project. Will be handling total plant operations independently. Electrical/Mechanical Engineering qualifications essential. Similar experience in projects of automotive, stationary and traction battery industry desirable.

SALARY PACKAGE:

Unmatched in the Indian Industry + Perks + Free furnished accomodation.

APPLY

TECNOVA

TECNOVA INDIA PVT. LTD.

109, Aurobindo Place, Hauz Khas, New Delhi-110 016

TECHNOLOGY TRANSFER IS OUR BUSINESS

APPOINTMENTS

ATUL PRODUCTS LIMITED

requires

GENERAL MANAGER —MANUFACTURING

THE COMPANY

ATUL is one of the largest chemical complexes of its kind in Asia. The Complex manufactures agrochemicals, commodity and fine chemicals, dyes, intermediates, pharmaceuticals, etc. In 1985, the sales turnover exceeded Rs. 350 crores.

ATUL is located in Valsad District of Gujarat, about 200 kms north of Bombay and about 10 kms from the beach of Tithal. The Complex, having an excellent infrastructure for industry and modern living, is spread over 1500 acres of land. Spacious houses with gardens, clean air and water, subsidised electricity, choice of good English-medium schools, recreation facilities like badminton, CCTV, cricket, table-tennis, tennis, etc. are all available at the complex. This Complex, a unique place in India, is free from the hassles of city life, and at the same time Bombay is less than 3 hours away by car/train. This uniqueness has attracted talents from all over the country, especially those who want to be away from the crowded and polluted cities.

ATUL PRODUCTS LIMITED the parent Company, the pioneer in dyes and intermediates, also manufactures agrochemicals, bulk drugs, commodity/fine chemicals, etc. and has ambitious growth/modernisation plans. The Company has recently acquired a new unit, Gujarat Aromatics Limited, located at Ankleshwar.

ATUL PRODUCTS is looking for a dynamic, well-educated and experienced professional with leadership qualities to head the manufacturing operations at Atul.

THE JOB

This is the most important position in the Company as 90% of the people at this site will work under the direct/indirect guidance of the incumbent. About 95% of the Company's fixed assets will be directly under his charge.

The broad responsibilities will be to:

- motivate people
- maximise efficiency, production and productivity
- overall manage maintenance, production, utilities, industrial relations, automation/mechanisation and development activities.

THE CANDIDATE

Education

He should be first class Graduate in Chemical Engineering from IIT/UDCT/other reputed institutions, preferably with MS/PhD degree from renowned University in India or abroad.

Experience

At least 15-20 years experience in chemical industry in plants with batch processes, of which 3-5 years should be in senior position preferably in a large industrial house in the areas of maintenance, production, and industrial relations. Knowledge of costing will be an added advantage

Age

40-45 years

ATUL offers excellent salary and perquisites which are comparable with the best in industry. Salary will not be a constraint for the right candidate. Career opportunities will include Managing Director position in one of the Group Companies.

Please apply within 10 days in confidence to:

General Manager (HRD)

Atul Products Limited

Atul 396 020, Gujarat

APPOINTMENTS

Shilputsi

SHILPUTSI CONSULTANTS have been retained by Becton-Dickinson, USA to recruit the following Business Managers. Becton Dickinson is one of the largest manufacturers of medical care equipment in the world with a turnover of nearly $ 2 billion.

BUSINESS MANAGER – DIAGNOSTICS

Delhi or Bangalore **Rs. 2.5 Lakhs p.a.**

The Job: The Business Manager will be responsible for meeting the planned annual targets for sales, profit and growth. He will provide technical support for promoting the sales of diagnostic equipment including equipment for immuno-cytometry, haemotological analysis and evacuated blood tubes. He will be leading a team of managers to liaise with hospitals and medical institutions which will be the major markets. The Business Manager will report to the Head of the Becton Dickinson business in India.

Qualifications: A science graduate with at least 10-12 years of experience in selling medical equipment. He must have qualities of leadership and vision.
He should be able to motivate a team of technically qualified managers as well as the distributors.

BUSINESS MANAGER – MEDICAL

Delhi **Rs. 2.5 Lakhs p.a.**

The Job: The Business Manager will be responsible for meeting the planned annual targets for sales, profits and growth of hospital care equipment including disposable syringes and IV catheters. He will be leading a team of managers to liaise with hospitals and medical centres. The Business Manager will report to the Head of the Becton Dickinson business in India.

Qualifications: A science graduate with 10 – 12 years of experience in selling medicare products to hospitals and health-care institutions. He should possess strong qualities of leadership, communication and vision. The right candidate will have strength in sales, the ability to develop new business and motivate a team of sales personnel as well as distributors.

Remuneration: The remuneration package is designed to attract the best talent in the country and will not be a constraint for the right candidate.

Please write in strict confidence to:

Mr. Tarun Sheth
C/o. **SHILPUTSI CONSULTANTS**
P.B. No. 9386, Bombay 400 026.

APPOINTMENTS

Standard Chartered

Standard Chartered Bank
Merchant Banking Division

SENIOR EXECUTIVE — CORPORATE ADVISORY SERVICES

Bombay **Age : 32 +**

Standard Chartered Merchant Banking Division is seeking an experienced executive for its expanding Corporate Advisory activities in Bombay.

The executive's role will be to help develop and execute assignments in the field of mergers and acquisitions, rationalisation and restructuring, and other corporate advisory business. Building up client relationships and systematic marketing will be important. This is a new position and will be a significant part of the growing merchant banking activities. The executive should be versatile, and have the capability to contribute, and move into other areas of the merchant bank as the need arises and also to improve his own career progression. This job requires a fair amount of travel.

Candidates should preferably be Chartered Accountants, though MBA's are welcome to apply. They would be expected to have strong financial analytical skills, a good business sense and have the ability to pick up the essentials required in a merchant bank. They would be expected to have at least 5-7 years' experience in a well-managed company/accounting firm, including experience of complex financial problem solving, and have a very good track record. The work will require a sound understanding of Indian industry.

Preferred age : 32-38 years

The starting salary is negotiable. The precise job level and the compensation package will be tailored to the particular circumstances of the candidate and will be designed to attract the best talent. These prospects would be clearly linked to performance and not to structured grades, against a background of significant projected growth in merchant banking activities.

Please apply in strict confidence giving full particulars of age, qualifications, experience, identity of current and past employers, and salary drawn, as well as job locational preferences.

All applications and envelopes should be market SE-CAS and addressed to

Manager, Administration,
Merchant Banking Division,
Standard Chartered Bank,
Post Box No. 843,
23-25, Mahatma Gandhi Road,
Bombay 400 023.

Concept

Standard Chartered

Standard Chartered Bank
Merchant Banking Division

requires
for its operations at Bombay, Madras, Calcutta and New Delhi

EXPERIENCED EXECUTIVES — CORPORATE FINANCE

Standard Chartered Merchant Banking Division is seeking experienced corporate finance executives for its successful Corporate Finance activities at different levels in Bombay, Madras, Calcutta and New Delhi.

The executives' prime responsibilities, depending on their level of experience, will comprise executing, developing, marketing and supervising assignments in the fields of public issues, structuring and arranging the totality of a project's financial requirements, advising on joint ventures and identification of industrial partners. However, the executives should also have the capability to contribute and move into other areas of merchant banking, such as financial advisory assignments and funds management.

Candidates should preferably be between 26 and 36 years of age, will need to have a very good academic background and have at least 4-5 years' directly relevant experience of corporate finance, including a thorough knowledge of the stock market, capital market regulations and financial institutions' framework. Older candidates should have correspondingly greater experience.

The remuneration package will be negotiable and attractive, and will be linked to performance and not structured grades.

Please apply in strict confidence within 10 days giving full particulars of age, qualifications, experience, identity of current and past employers, and salary drawn, as well as job locational preferences.
All applications and envelopes should be marked EE-CF and addressed to :

Manager, Administration,
Merchant Banking Division,
Standard Chartered Bank,
Post Box No. 843,
23-25, Mahatma Gandhi Road,
Bombay 400 023.

Concept

CONSUMER MARKETING MANAGERS

A leading multinational group of companies, well known for its marketing skills especially in the consumer segment wishes to strengthen its cadre of consumer marketing specialists.

The group offers a unique opportunity to marketeers who wish to be in the forefront of consumer marketing, using the latest international skills and techniques. It is established group practice for its managers to be sent abroad both for training and on secondment to operations in other countries.

The ideal candidate will be around 28 years old with 4-6 years post qualification experience in a consumer market oriented company. The academic profile will be an IIM/MBA or preferably MBA/Engr. with specialisation in marketing.

Successful applicants will be placed in an appropriate grade in middle management. Promotions to higher grades will be rapid based on performance.

The group's remuneration package is generous and includes housing. Postings will be all over India.

Please write (ref: MS/5202) in confidence to:

A. F. Ferguson Associates
Post Box 1786
Bombay 400 001

APPOINTMENTS

Europcar

A project launched in January 1988 in collaboration with Europcar International, a world leader in the car rental industry, now wishes to expand its network to 40 cities within the country by 1990.

COUNTRY MANAGER

Applicant should preferably be an M.B.A. from a premier institute with minimum 5 to 7 years experience in a service oriented organisation. The position, reporting to the Managing Director envisages independent control of all centres and expects a high level of mature judgement.

PREFERRED AGE GROUP : 32 – 36 YEARS.

FLEET MANAGER

Applicant should have 8 to 10 years supervisory experience in the automobile repair field. He must be able to establish an effective maintainance and body repair program, to produce a top quality fleet.

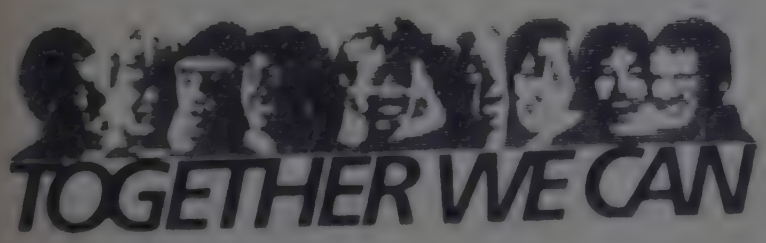
PREFERRED AGE GROUP : 40 – 45 YEARS.

Applicant must be willing to relocate to other countries if required.

Emoluments will be better than the best in the industry, with excellent growth prospects and exceptional work atmosphere.

If you know you are the right person for the job.

APPLY TO: B – 27, MAYFAIR GARDENS, NEW DELHI -16



JENSON & NICHOLSON (I) LTD

The pioneers in Paint Technology in the country have diversified into the field of manufacturing electronic equipment for industrial use.

We require for our Paint Division

"DEVELOPMENT MANAGER"

The incumbent shall be responsible for new product development, cost reduction in formulations, innovating techniques for solving manufacturing problems and attending to customer satisfaction in the field. Thorough knowledge of performance characteristics of a wide variety of resins, pigments, solvents and additive chemicals used in paint formulations, essential.

Posting will be at our factory at Naihati, near Calcutta.

Applicant should be M.Sc (Chemistry) or M.Tech./B.Tech (Paint Tech./Chemical Engg.) having minimum 10 years of experience in an industrial R&D laboratory, preferably in the paint industry.

Age 35 to 40 years.

The Company is professionally managed and treats R & D as an individual profit centre.

The Company offers an excellent environment, and flexibility in work. The compensation package includes housing at our factory residential compound, car scheme, LTA, CCA, medical benefits, PF, gratuity and super annuation scheme.

Ambitious professionals, having highly innovative bent of mind and willing to make a career with a professionally managed company, may apply to——

Dy. General Manager- Personnel, Jenson & Nicholson (I) Ltd,
225, Acharya Jagadish Chandra Bose Road, Calcutta- 700 020.

MARKETING MANAGER

Food Products

Bombay

Excellent remuneration including housing, company car, etc.

A well known multinational company with diverse interests wishes to enlarge its Food Products Division and seeks a Marketing Manager to assist in the expansion.

The company's food products have a good brand image and market share but both these need to be strengthened.

The Marketing Manager will have the responsibility and the resources to achieve this objective.

Correspondence is invited from outstanding consumer product marketeers especially with experience in food products. A formal post graduate qualification in Management preferably from an IIM would be desirable. Preferred age: early 30s.

The post is in the senior management grade of the company and therefore remuneration should not be a constraint. Future prospects are excellent.

Please write (ref: MS/5201) in confidence to:

A. F. Ferguson Associates
Post Box 1786
Bombay 400 001

APPOINTMENTS

GM MARKETING
CONSUMER PRODUCTS

NEAR POONA **LIBERAL TERMS**

Our client is a progressive company on the move, with the distinguished record of pioneering and being one of the world's largest manufacturers of a range of well-known consumer durable products. The company's products enjoy an excellent brand-image and are MARKET LEADERS. Growth and profitability records have been consistently excellent over the years, and the current turnover of around Rs. 35 crores will substantially increase in view of the ambitious expansion and diversification plans underway.

This is a key position reporting to the Director, and entails overall responsibility for the entire gamut of Marketing and Sales functions, on an All-India basis. The incumbent will provide an impetus to the company's targeted growth plans by consolidating gains and building on the existing marketing strengths. Evolving and implementing innovative strategies and providing leadership to a highly talented team headed by an All-India Sales Manager, will be prime functions. Effective monitoring of advertising and sales promotion programmes and further expanding an extensive All-India distribution network will merit his close involvement.

We are looking for a seasoned Marketing professional having over 15 years experience in marketing consumer durables,of which at least 4/5 years should be in a comparable position. He should have a good university degree, preferably with post graduate qualifications in Marketing. A keen insight into the finer aspects of consumer durable marketing and distribution channels, and good leadership qualities are essential pre-requisites. Age Group 40-45.

This is a top management appointment entailing active participation in management decision making covering various facets of the company's business. Terms, therefore, will be very liberal and include all senior management perks.

Please write SOONEST quoting Ref.No. KM/A-1238 to:

DATAMATICS STAFFING SERVICES
Post Box No. 106 G.P.O. Bombay-400 001.

Diason

VH GROUP OF COMPANIES

Venkateshwara Hatcheries Group in technical Collaboration with **ISA BABCOCK, COBB-VANTRESS, SPAFAS INC, TRI BIO LAB & JAMESWAY**, Canada enjoys market leadership in Poultry Sector. The professional atmosphere, open communication, receptivity to positive thinking and inspiring Leadership are the unique features in bringing VH Group as a blue-chip Company with a turn over of around Rs. 100 crores. To meet our human resources requirements VH group is looking forward for you to be our :–

REGIONAL SALES MANAGER (LOCATION : DELHI & CALCUTTA)

The Incumbent will be responsible for the sales of SRINI/VENTRI, Vaccines, Animal Health Products and Feed concentrates. The Incumbent should be a self starter with Zeal and drive and will be responsible for 3 states. Should be a good leader with Commercial acumen.

The incumbent should be a graduate in science preferably Veterinary Science. Additional Qualifications in management is desirable. Should have not less than 7 years selling and marketing experience. Experience in Pharmaceutical Industry is desirable. The desirable age group is 30-35 years.

Compensation
Around Rs.48,000 P.A.

Kindly give us an opportunity to Interact with you and as a first step please send your 'RESUME' within 15 days to :

MANAGER (PERSONNEL)
VH Group of Companies
'Venkateshwara House'
S.No. 114/A/2, Pune-Sinhagad Road
PUNE – 411 030

Venkads-110

LEADERSHIP THROUGH INNOVATION

APPOINTMENTS

ABC's major specialisations include Corporate Consultancy

Materials Management • MIS • O&M • Software Packages • Technology Transfer • Project Reports • Business Negotiations

Operations Research • Industrial Engineering • Systems & Procedures • Computer Feasibility • Socio-Economic Studies

SENIOR MANAGER - EXPORTS
(EAST EUROPE)

New Delhi — Over Rs. 2.5 Lakh/Annum

Our clients are a well diversified, professionally managed business group having a current turnover of around Rs. 500 crores. Their interests are in a wide range of products including Light Engineering, Chemicals, Consumer Products, Agro based and Power Products. **The group plans to make Exports in East European Countries, a major thrust area and so intends building a team of Export professionals. To develop and establish a market in the East European Countries,** the group needs a Senior Manager (Exports).

The incumbent will be responsible for developing new markets in the East European countries and exploiting all available channels for development of Exports. The job demands a self motivated individual with a Post Graduate Diploma from IIFT, having extensive exposure to exports. **In-depth knowledge of market potential and trade practices in the Eastern Bloc countries is a must.** Those with proven expertise in developing exports in the required segment and widely travelled abroad will be preferred. The position offers opportunities for extensive international travel and hence candidates must be highly mobile, with an extrovert personality and have a flair for making contacts. Desired Age: 32-40.

The company also offers ample growth opportunities. Please apply within 10 days to **Colonel V P Gulati, Associate,** with detailed biodata quoting job title & code: SME/DEL/910.

Personnel Selection Division

ABC CONSULTANTS PRIVATE LIMITED

209 Meghdoot, 94 Nehru Place New Delhi-110 019 Phone: 6464386

Organised Cost Reduction • SWOT Analysis • Data Processing

CONTROLLER — FINANCE AND ACCOUNTS

Our clients are a professionally managed group of companies having their corporate office at Ahmedabad and marketing network across the country with an annual turnover of Rs. 30 crores.

The position reports to the Managing Director and would involve responsibility for the Finance and Accounting function at the Group level with special emphasis on financial planning, management accounting, indirect taxation, and EDP.

The ideal candidate would be a mature Chartered Accountant with additional qualification of Company Secretary and/or MBA (Finance) with at least 10 years relevant experience of which 5 years would be in a senior management position. A well honed business perspective and commercial orientation would be prerequisites for success.

Salary would not be a constraint for the right person and company accommodation could be considered.

Those interested may please apply within 10 days to:

PERSONNEL SEARCH SERVICES
3rd Floor, Sambava Chambers, PM Road, Fort
Bombay - 400001

ABC's major specialisations include Corporate Consultancy

MANAGER ACCOUNTS (SITE)

ENGINEERING CONTRACTING COMPANY

Delhi **Attractive Terms**

Our client is a **high standing reputed company with varied interests in designing & undertaking complete turn-key projects.** The current turnover is projected to be over Rs. 40 crore. They are presently handling over 15 turn-key projects in various locations spread all over India. To handle the enlarged scope of work a Manager Accounts (Site) is now required to join the team of professionals.

The incumbent, **reporting to Financial Controller,** will be **independently responsible for maintaining project accounts of various project sites.** He would be required to **organise, monitor and exercise positive control on site inventories, expenditure and design & implement effective MIS.** The candidate should be with a bent of mind for cost reduction, flair for costing, budgeting, **optimisation of funds utilisation** and have a clear decisive mind of taking prompt and sound decisions. Our client is looking for **a mature qualified ICWA** in the age group of 35-40 or M. Com/ B.Com with 15-20 years' hands-on experience, who should be a go-getter, dedicated professional having excellent communication skills. Relevant experience in construction/ project industries will be of added advantage.

Salary & perks will not be a restricting factor for the right candidate. Please apply in strict confidence within 10 days enclosing detailed biodata giving **details of relevant experience** and last salary drawn to **Colonel V P Gulati, Associate** and mark the envelope & enclosures with job title & Code: MAS/DEL/909.

(Personnel Selection Division)

ABC CONSULTANTS PRIVATE LIMITED

209, Meghdoot, 94 Nehru Place, New Delhi-110 019 Phone: 6464386

Project Reports ● Operations Research ● Industrial Engineering ● Technology Transfer ● Computer Software Packages

Socio Economic Studies ● SWOT Analysis ● Systems & Procedure ● Business Negotiations ● Socio Economic Studies

Data Processing ● Computer Software Packages ● Materials Management

CONTROLLER—IMPORTS & EXPORTS

Our clients, a large multinational organisation in the field of bulk chemicals, pharmaceuticals and pharmaceutical intermediaries have engaged our services to recruit a Controller—Imports & Exports for their Indian operations. The Company is 150 years old and is well established in its field of activity.

The Controller would report to the Chief Executive of the Indian operations and would have key functional responsibility for the company's indenting operations which are on the large scale. He will be assisted by a high profile, high calibre team.

The right candidate would preferably be a chemical engineer with extensive experience in international trading operations in the pharmaceutical and fine chemical industry. He should have vast overseas contacts and should be capable of developing business independently. He should be less than 40 years of age.

Emoluments for the position would be on par with the best in the industry and would include attractive perquisites.

Those interested may please apply within 10 days to:

PERSONNEL SEARCH SERVICES
3rd Floor, Sambava Chambers, PM. Road, Fort
Bombay - 400001

Lakmé LIMITED

We are market leaders in the cosmetic industry with a series of new product successes. We are poised for dynamic growth and diversification in the coming years.
We invite applications for the following positions:

DEPUTY SALES MANAGER (ALL INDIA)

Location : The candidate will be posted at the Company's Head Office in Bombay.

Qualifications : The candidate must be a graduate, preferably an MBA.

Experience : He should have 5-8 years of experience in sales and sales administration, preferably in the consumer products industry. He must possess strong analytical capabilities and should be comfortable with statistics and computers.

Job : The person will report to the All India Sales Manager. He will be responsible for Sales Administration, Sales Forecasting, Production Planning, Distribution, Sales Training and Institutional Sales.

ASSISTANT MANAGER - SALES

Location : The candidate will be currently posted at the Bangalore Branch. However, his position is transferable to any other location. The Company believes in job rotation.

Qualifications : The person must be an MBA from a reputed management institute.

Experience : He should have 2-5 years of sales experience, preferably in the consumer products industry.

Job : The person will report to the Branch Manager. He will lead a team of 2 Area Field Managers and 8 to 10 salesmen covering 2 states. He will be responsible for motivating and directing his team to achieve the targeted sales results. He will also be responsible for sales administration of his sales areas.

We offer excellent emoluments plus perks.

Please apply in confidence superscribing the envelope and application with the post applied for, giving specific details of age, qualification, experience and present employment/ emoluments, to:-

General Manager - Personnel

Lakmé Limited

Union Co-operative Insurance Building, (3rd floor)
23 Sir P.M. Road, Fort, Bombay-400 001.

STP Limited

CHIEF EXECUTIVE : HUMAN RESOURCES MANAGEMENT

CALCUTTA **EXCELLENT TERMS**

We are a multi-business, multi-unit, professionally managed Company with an all-India manufacturing and marketing network, with several new projects in the pipeline and belonging to a well-known, respected and diversified industrial group. We lay great emphasis on the development of Human Resources, and a motivating work environment and organisational culture, leading to high job satisfaction. To enhance our Human Resources Management efforts, we are on the lookout for a high calibre professional to head the functions at the corporate office. The position reports to the President and Chief Executive Officer of the Company, who in turn reports to the non-executive group Chairman.

The incumbent will have total responsibility for all aspects of Human Resources Management including personnel policies and manpower planning, performance appraisal, training and development, selection and recruitment, Industrial Relations and Employee Relations and personnel administration. He will ensure effective utilisation of total Human Resources at all levels and will play the role of a planner, motivator, problem solver, negotiator and administrator. Preferred age group 35 - 45 years.

The remuneration package will not be a limiting factor for the right candidate and will include Company car and driver, Company house, Leave Travel Assistance, Medical Benefits plus triple retirement benefits.

Please contact or write with detailed resume to :

Mr. Atmaram Saraogi
The President & CEO,
STP Limited,
8 Camac Street,
Calcutta 700 017.
Phone : 44 8282

APPOINTMENTS

unitel communications limited

part of
The U B Group of companies

is spearheading the Telecommunication revolution in India with the support of a Rs. 1000 crore empire including names like Hoechst, Mc Dowell's, Roussel, Kisan & Berger.

Apart from manufacturing and marketing EPABX's in collaboration with ATEA of Belgium (a GTE-SIEMEN's venture), Unitel is actively working on linking up computers, transmission of data and fascimile at high speeds through the EPABX, and is surging ahead to capture increasing shares of what promises to be a Rs. 3100 crore Telecom market by 1990.

They require a:

SALES CONTROLLER - ALL INDIA

DELHI BASED

AGE 35-40

VERY ATTRACTIVE TERMS + CO. HOUSE + CO. CAR WITH DRIVER + LIBERAL ANNUAL PERQUISITES.

An MBA from a reputed institute, with at least 10 years proven sales experience, of which a very significant period should have been in the office automation line,heading an all India sales team.

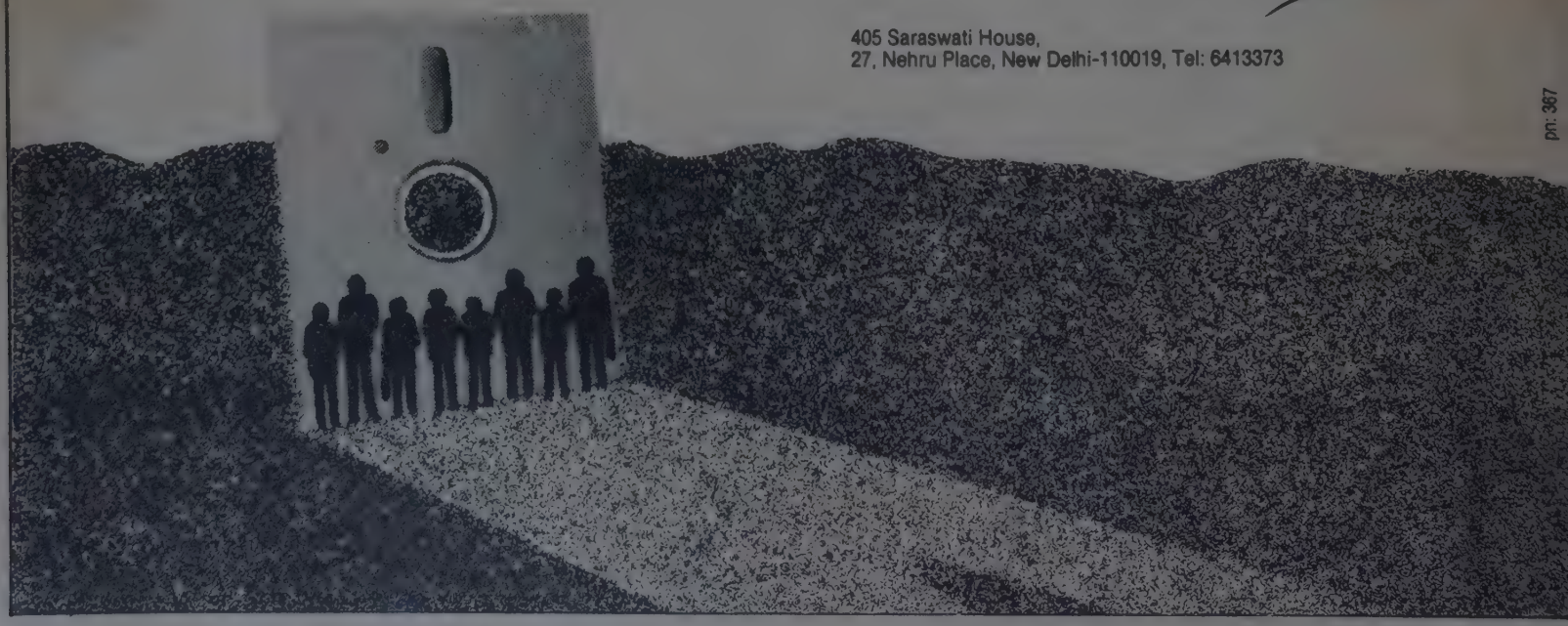
Reporting to the G.M. Marketing, responsibilities will be to lead a team of over 100 people on an all India basis in the highly competitive office automation market and ensure leadership for the company.

Growth prospect are unlimited with major expansion plans by the U.B. Group in electronics.

Write in strict confidence,
Quoting: C-112/89

Personnel network.

405 Saraswati House,
27, Nehru Place, New Delhi-110019, Tel: 6413373



pn: 367

RUDE OIL OUTPUT UP

t 2.92 million tonnes, production of crude oil in March this year was not only higher than that in the evious month (2.51 million tonnes) but was also about higher than 2.69 million tonnes in March 1988. mulatively, crude oil production at 32.03 million tons in 1988-89 was about 6% higher than the 30.36 million in 1987-88.

GHER COTTON YARN PRODUCTION

n March this year, both production and despatches of cotton yarn (including blended variety) recorded increases over those of the previous month and the corresponding month of the previous year. A part of the improvement was, however, due to the larger number of orking days in March than in February. Production of rn in March 1989 over the previous month and the year o was about 8% and 3% higher respectively. Similarly, spatches were nearly 9% and 10% more respectively r the same comparable months.

JTE TEXTILES OUTPUT DROPS

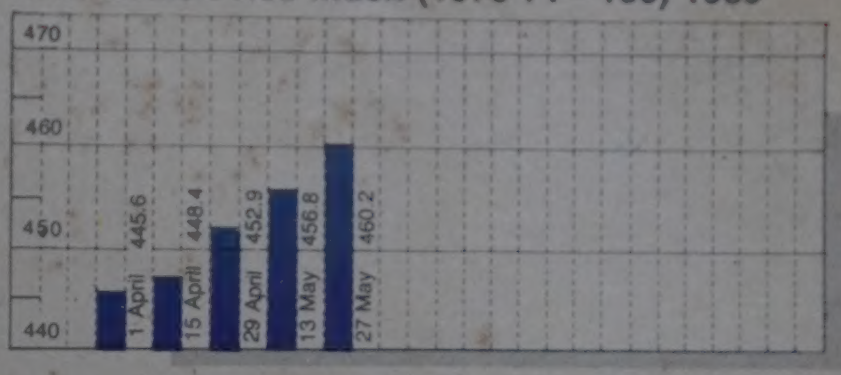
roduction of jute textiles during April this year recorded a decline (7.2%) over that in the previous onth and was at the same level as that in April 1988. te despatches in April 1989, too, recorded a decline bout 2%) over the previous month. Nevertheless they ere nearly 3% higher than despatches recorded in April st year. For the cumulative period January-April 1989, oduction was higher by nearly 7%, closely followed by spatches which were 17.5% higher than despatches in e corresponding period of the previous year.

ECORD CEMENT PRODUCTION

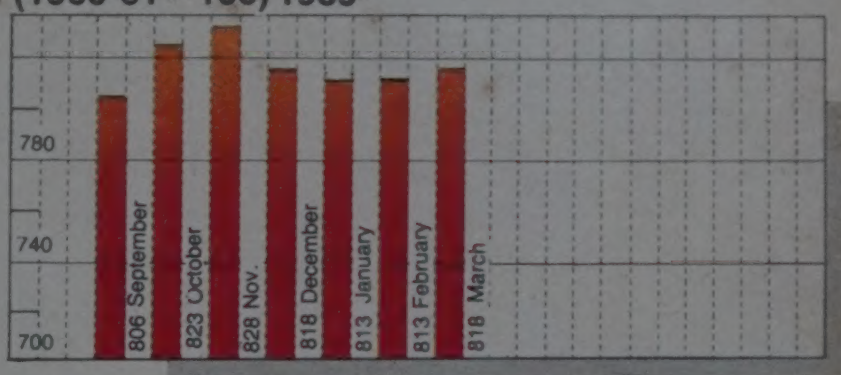
ement production in March 1989 recorded an all-time high of 40.04 lakh tonnes, thereby recording a gnificant rise of about 12.6% over February 1989 and % over March 1988. Similarly, during 1988-89, cement oduction headed towards the all-time high of 440 lakh nnes. At this level, it not only exceeded the production rget of 435 lakh tonnes fixed for 1988-89, but was also 1% higher than the output in 1987-88. The higher production also in part reflects an improvement in capacity tilisation in cement industry from 72.5% in 1987-88 to 6.4% in 1988-89.

Foreign Exchange Rates (Spot) 20 June	(Rs)
One P. Sterling	25.60
One US Dollar	16.43
One D. Mark	8.33
One hundred J. Yen	11.40
One Saudi Riyal	4.34
One Kuwaiti Dinar	54.48

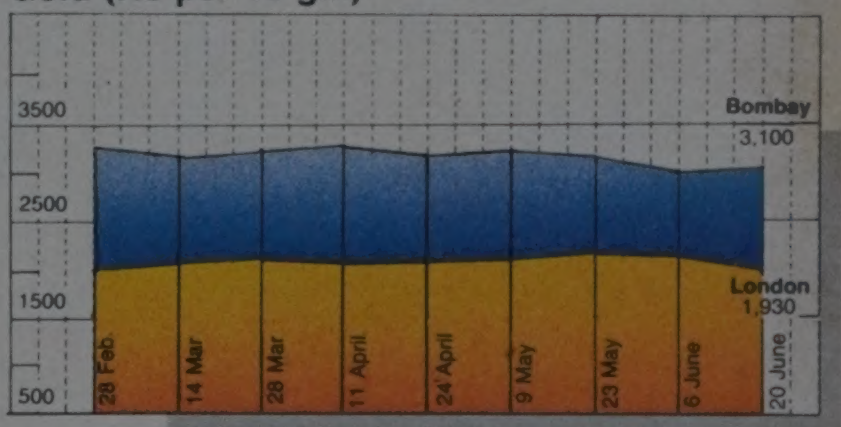
Wholesale Price Index (1970-71 = 100) 1989



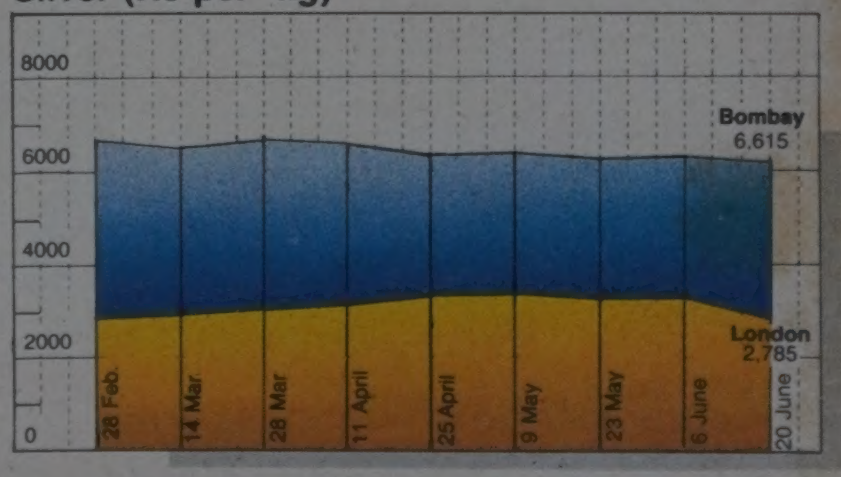
Consumer Price Index for Industrial Workers (1960-61 = 100) 1989



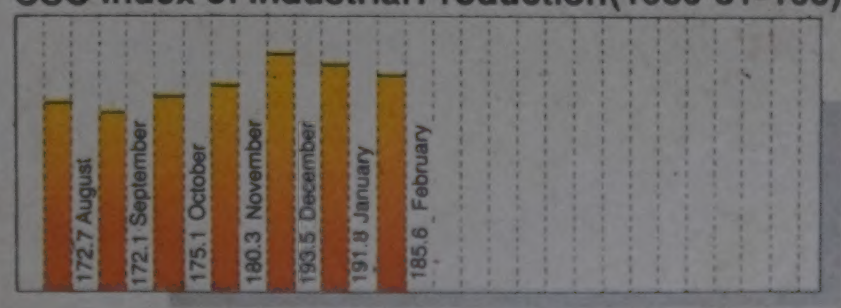
Gold (Rs per 10 gm)



Silver (Rs per kg)



CSO Index of Industrial Production (1980-81=100)



WHERE GAIL FEARS TO TREAD

The jurisdictional tussle between the Oil & Natural Gas Commission (ONGC) and the Gas Authority of India Ltd. (Gail) is taking intriguing dimensions. While Gail is pushing hard for a Rs 420 crore city gas supply scheme in Bombay, it is totally disinterested in a similar opportunity in Tripura. There, ONGC is doing all the spadework needed to market gas, a function that earlier seemed reserved for Gail.

"Gail is too profit-minded to come to Tripura, where a lot of hard work is needed," says a top ONGC source. That is as may be. But if Gail does not get cracking where it can, ONGC will end up lording it over everywhere.

FUSION AFTER FISSION?

Three Clarion breakaway advertising agencies are trying to join hands. Delhi-based Megacorp, set up when Sudhir Lal, former head of Clarion Delhi, quit recently, Bombay-based Vision Advertising, which was part-acquired by Chris Passanah after he resigned as Clarion's managing director, and the earlier splinter, Madras-based Fountainhead, are believed to be working on a scheme to help out one another.

It makes sense, considering that none of the three has a national network. The idea, says an insider, is to complement each other in different regions. Informal though this arrangement



LAL IS CONTEMPLATING AN EXTRA-CORPORATE AFFAIR

may be, ad circles wonder whether this could turn into another challenge for the battle-bruised Clarion, which has already seen a mini exodus of top executives who took along sizeable chunks of business with them.

SUPER 301 FALLOUT

Amidst all the brouhaha created by the threat of US trade reprisals, one significant development has gone unnoticed. Last month, the US ambassador to India, John Hubbard, made a sudden retreat to America. In fact, the development was so rapid that embassy officials did not even have the time to cancel most of the ambassador's appointments. For example, when a high-level Indian delegation led by Hari Shankar Singhania and Binay Kumar of Benares House Ltd. went to the embassy on 8 June, they were told that Hubbard had pushed off.

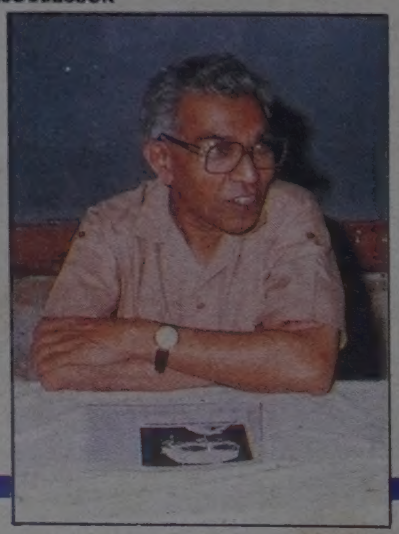
Sources in the embassy suggest that Hubbard was recalled for consultations on the unprecedented and unexpected reaction to Carla Hills' now famous announcement in May of the Super 301 'hit list'. His trip also becomes significant in the light of recent reports that Hubbard may be replaced as US envoy to India.

Meanwhile, in another interesting development, Donald Kendall, chairman of the Indo-US joint business council and chairman of Pepsi Inc., is likely to come down to India shortly to hold talks with Indian industry and ministers over the trade sanctions impasse. This is seen as a significant move because Kendall is reportedly close to President Bush. Is the US having second thoughts about forcing the issue?

HEAD HUNTING FOR IIM-A

The jinxed search for a new director at the Indian Institute of Management, Calcutta (IIM-C), has been well documented in these columns. It is now the turn of IIM-C's sister organisation in Ahmedabad (IIM-A) to begin what promises to be an equally elusive headhunt, now that Professor N.R. Sheth's term is over. Board of governors chairman V. Krishnamurthy has taken personal charge of the exercise. This time around, IIM-A's new director might well be sought out from among practising managers in industry. One prime candidate is Subir Chowdhury, general manager at ICI India, w was incidentally on the IIM-C shortlist too earli

THE HUNT IS ON FOR SHETH'S SUCCESSOR



IDENTITY CRISIS

Europe's mega corporate marriage the year — namely, the joining of hands in a 50-50 partnership between GEC plc, UK, and CGE Alsthom of France to form the Paris-headquartered GE Alsthom — has created one stroke an electrical engineering colossus. It fallout in the Indian context, though, raises t ticklish issue of identity

The GEC group runs two majority-owned (an therefore foreign, as per Indian law) companies this country, viz. GEC o India Ltd. and English Electric (EE). Both command long and well-established market shares in their respectiv sectors and enjoy terrifi goodwill. On the other hand, the Alsthom nam is not particularly well known in India. Therefore, for these two companies to change th names to incorporate th newfound Alsthom connection might be confusing rather than a help.

The other alternative, merging the two subsidiaries (i.e. GEC of India and EE) to form GEC Alsthom India is fraught with legal hassl Apparently, while the merger of two Indian companies is more or le routine, when both part are foreign, the procedu is complex enough to b forbidding. For the moment, Alsthom's sma representative office in New Delhi is being absorbed into GEC's corporate hq, also in the capital.



Here's a hint on how often Swissair flies Bombay-Zurich non-stop.

he correct answer is once every day, as all regular shavers and Swissair regulars will know. he arrival in Zurich is early morning, in good time to catch our frequent and prompt nnections to over 50 European business centres and to the four gateways in the USA. ur heart-warming hospitality and three-class option to all destinations add a sharp edge to het the business traveller's preference for flying Swiss-style.

swissair

details call your IATA travel agent or the nearest Swissair office:
MEDABAD 449149 • BANGALORE 211983 • BOMBAY 2872210 • CALCUTTA 444643 • COCHIN 360380 • DELHI 3325511 • HYDERABAD 224244 • KATHMANDU 222452 • MADRAS 861583

BUSINESSWORLD 5 JULY 1989
REGD NO. MH/BYS-141 TN/MS(C) 673 WB/CC



Wills Filter set the filter trend in cigarettes long years ago. Today it's still the finest. In taste, in satisfaction. Hand-picked virginia tobaccos married to an efficient filter make it so. Millions of smokers have discovered it, then stayed with it.

WILLS FILTER

Filter and tobacco perfectly match

STATUTORY WARNING
CIGARETTE SMOKING IS
INJURIOUS TO HEALTH